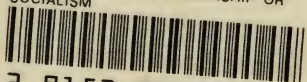






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# PRIVATE OWNERSHIP OR SOCIALISM

SCOVILLE HAMLIN



# Private Ownership or Socialism

BY  
SCOVILLE HAMLIN



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*In Grateful Appreciation*  
*To My Wife*  
HELEN TREMAIN HAMLIN



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## PREFACE

Those who still regard the Constitution of the United States as a sacred trust must question the substitution of public ownership for the institution of private property. Constitutional restraints in all capitalistic countries on income and inheritance taxes have been lifted. *Taxation* is today the open door to public ownership.

Unless we raise a constitutional bulwark to stay the floodtide of Socialism at this time, an acceptance of Socialism is inevitable.

SCOVILLE HAMLIN.



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# PRIVATE OWNERSHIP OR SOCIALISM



## I

### PRIVATE OWNERSHIP OR SOCIALISM

The disappearance of real issues between the Republican and Democratic Parties is concentrating attention upon the realignment that is gradually taking place. Many believe that political blocs, representing the occupational needs of different constituencies, are destined to be substituted for the majority rule of a divided legislature. Mr. Herbert Hoover in a letter to William Allen White, characterizes this bloc system as a disease. "These Constitutional blocs," he says, "are symptoms of the same thing that threw Europe into chaos."

Present-day reaction to the centralization of power in Washington is a more accurate clue to the issue at hand. When we look below the surface of events, below the farm bloc, the labor bloc, the bonus bloc, and all the other blocs, we discover that the institution of private property is in danger; that we are deciding for or against its retention. There is no truer index of this fact than that given by the waning power of the Upper Chambers of Government both in the United States and abroad.

Constitutional limitations to the Federal taxation of income and inheritance have been lifted to such an extent in the United States, that private property is open to public confiscation. The only obstruction is the Constitutional ruling that re-

quires the unanimous consent of every State in the Union to the abolition of the right of each State to equal representation in the Senate. Such consent would achieve a denial of the institution of private property.

We cannot continue divided in our belief, or in our allegiance to the institution of private property, while laws are being enacted from day to day which extend the boundaries of public ownership.

When the Constitution of the United States was framed, the results of individual labor were accorded indirect representation in the Federal Government. Human labor, the most universal measure of individual liberty, was accorded representation in the State governments of that day. Without this representation the individual cannot be secure in his rights to the results of his labor. Laws will be passed on the score of public welfare which discriminate against the industrious citizen. Majority rule as originally defined by the Constitution, insured protection to individual liberty as well as the collective interests of all the people. This rule of a divided legislature, a legislature of two houses, has been supplanted by the rule of a numerical majority.

The idea of numbers, regardless of quality, has obsessed us. We are extending the boundaries of this rule from day to day, regardless of local self-government, regardless of individual liberty. Arthur Twining Hadley, in his recent book, *The Conflict Between Liberty and Equality*, declares that we are today confronted with an issue very similar to the one which involved the extension of the

boundaries of slavery. He says: "The same sort of issue presents itself at the present day in a different form. It is not the entire liberty of a fraction of the inhabitants of our country which is at stake; it is a considerable portion of the liberty of all the inhabitants. If we can organize a party on that issue, we shall have something in national politics worth working for and living for."

"There is but one political party," says Dr. Hadley, "that recognizes how deep our troubles lie, and that is the Socialist party. I believe that its solution of the difficulty is a wrong one; but there are times when a wrong solution proposed by men who try to go to the root of things makes more appeal to the people than the speeches of our old acquaintances in *Pilgrim's Progress*, Mr. Facing-Both-Ways and Mr. Talkative. If we think our ideas of the methods of conducting a commonwealth are better than those of the Socialist, it is our fault if we fail to go into the matter as thoroughly and as fundamentally as do our opponents.

"To be able to combat the positive theories either of Marx or MacDonald with any degree of permanent success, we must have positive theories of our own regarding the relations between the liberty of the individual and the interests of the community as a whole, which shall have facts enough behind them to enable us to make an appeal to the people with more definiteness and more confidence than Marx or MacDonald have made theirs. It is only by thus going to the bottom of things that we can get a coherent public

opinion behind us which will enable American democracy to deal with its industrial problems effectively.

“The rich man who asks liberty to manage his industrial enterprises with little or no interference, and fails to see what measure of legislative protection is needed to give the poor man any real liberty to develop his powers, will have no place in the new party.”

This issue of individual liberty is not, however, confined to the United States. All the so-called capitalistic nations are confronted with the same issue. Constitutional restraints on the income and inheritance taxes have been so generally abandoned that taxation is today the open door to Socialism. Unless these countries individually can together raise a bulwark to stay the floodtide of Socialism, an acceptance of Socialism within the next few years is inevitable.

Just how far the Constitutional limitations to the Federal taxation of income and inheritance have been lifted in this country can only be ascertained by contrasting the protection given to individual labor by the framers of the Constitution with its present position in the government. The first two chapters are devoted to the establishment of this status.

The present status of the second chamber of government in European countries is our best measure of the protection afforded individual liberty (the results of individual labor) in these countries. Great Britain has practically adopted a single

chamber form of government. The division in legislative power, insuring the majority rule of a divided legislature, was practically destroyed during the Asquith Administration by the abolition of the veto power of the House of Lords. The governments of Queensland, Finland, Esthonia, and Jugoslavia are today without any balance to their popular assembly. They have a single-chambered government.

### Germany

The present Constitution of Germany provides for a bicameral legislature. The *Reichstag* is composed of the representatives of the German people. The term of office is four years. The Upper House, the *Reichsrat*, represents the German States. The basis of representation is in proportion to the number of inhabitants within specified areas. The veto power of the *Reichsrat* is subject to a referendum vote. *"The Reich may by law, without prejudicing the right of compensation, and with due application of the provisions in force with regard to expropriation, transfer to public ownership private economic enterprises suitable for socialization."*

### France

The Constitution of France provides for a bicameral legislature. Members of the Lower Chamber (the Chamber of Deputies) are elected by the Departments, one deputy for every 75,000 inhabitants. The Senate is composed of 300 members, elected by the departments and the colonies. Members

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of the Senate are elected for 9 years. The age qualification is 40 years. *"The Senate shall have, concurrently with the Chamber of Deputies, the power to initiate and to pass laws. Money bills, however, shall first be introduced in and passed by the Chamber of Deputies."*

### Italy

The Constitution of Italy provides for a bicameral legislature. "Deputies represent the nation as a whole, and not the several provinces in which they are elected." They are elected for five years.

The Senate is composed of members "appointed for life by the King without limit of numbers, who have attained the age of 40 years and who have been chosen from the following categories of citizens: Ministers of state; persons who, for at least three years, have paid direct property or business taxes to the amount of 3,000 lire."

"The initiative in legislation shall belong to the King and to each of the two houses. *All bills, however, levying imposts on contributions or approving the budgets or accounts of the state shall first be presented to the Chamber of Deputies.*"

### Belgium

The Constitution of Belgium provides for a bicameral legislature. "The members of the two houses shall represent the nation, and not the province alone, nor the subdivision of the province which elected them. The members of the House of Representatives shall be elected directly by citi-

zens who have reached the age of 21 years, have resided for at least six months in the same commune, and are not otherwise excluded by law. The number of representatives shall be determined by law, according to the population; this number shall not exceed the proportion of one representative for 40,000 inhabitants."

"The Senate is composed of members elected in proportion to the population of each province, in the proportion of one senator for 200,000 inhabitants. The number of Senators to be elected directly by voters shall be equal to one-half the number of members of the House of Representatives. Senators shall be elected for a term of four years, and they shall be at least 40 years of age. Senators shall receive no salary. No one may be deprived of his property except for a public purpose and according to the forms established by law, and in consideration of a just compensation previously determined. All powers emanate from the people."

### Poland

The Constitution of Poland provides for a bicameral legislature. "The *Sejm* is composed of deputies elected for a term of five years, to be counted from the day of the opening of the *Sejm*, by secret, direct, equal, and proportional voting. If the *Sejm* approves by an ordinary majority, or rejects by a majority of eleven-twentieths of those voting the changes proposed by the Senate, the President of the Republic will direct the publication of the statute in the wording determined by

the second vote of the *Sejm*. The senate is composed of members elected by the individual *Voyevodships*, by universal, secret, direct, equal, and proportional voting. Every *Voyevodship* forms one constituency, and the number of senators is equal to one-fourth of the number of members of the *Sejm*, in proportion to the number of inhabitants." The two houses are elected for five years; the president for seven years. "*The Republic of Poland guarantees to all citizens, institutions, and associations, protection of their property, permitting only in cases provided by a statute the abolition or limitation of property, whether personal or collective, for reasons of a higher utility, against compensation.*"

### Russia

The Constitution of the Russian Socialist Federated Soviet Republic provides for the proportional representation of occupational constituencies. Many persons are debarred from voting. Among this number are: "Persons who employ hired labor in order to obtain from it an increase in profits. Private merchants, monks and clergy of all denominations." "*For the purpose of realizing the socialization of land, all private property in land is abolished, and the entire land is declared to be national property and is to be apportioned among husbandmen without any compensation to the former owners, in the measure of each one's ability to till it.*" "All forests, treasures of the ear and waters of general public utility, all implements, whether animate or inanimate, model farms and

agricultural enterprises, are declared to be national property. It is also to this end that the Third Congress of Soviets insists upon putting an end to the barbarous policy of the bourgeois civilization which enables the exploitation of a few chosen nations to enslave hundreds of millions of the toiling population of Asia, of the colonies, and of small countries generally."

When considering the Russian Constitution, founded on the principles of Socialism, for the purpose of abolishing the exploitation of men by men, it is well to recall a fundamental conclusion of Karl Marx. He believed that labor gave to all products their value. As all surplus value was created by labor, each laborer was entitled to the full product of his work.

### Czechoslovakia

The Constitution of Czechoslovakia provides for a bicameral legislature. "The Chamber of Deputies shall be composed of 300 members, elected according to a general, equal, direct and secret suffrage, on a basis of proportional representation. The term for which the Chamber of Deputies is elected shall be six years. The Senate shall consist of 150 members elected according to general, equal, direct, and secret suffrage on a basis of proportional representation. The term for which the Senate is elected shall be eight years."

*"A measure passed by the Chamber of Deputies shall become law, despite an adverse decision of the Senate, if the Chamber of Deputies declares by a majority of 50 per cent of all its members that it adheres to its*

*first decision. Should the Senate reject a draft bill passed by the Chamber of Deputies by a majority of all its members, the bill becomes law, provided that the Chamber of Deputies re-enacts its decision by a three-fifths majority of all its members."*

### **Report of the Second Chamber Conference in England**

In August of 1917 the Prime Minister of England appointed a Second Chamber Conference, in answer to a general demand for reform of the House of Lords. The conference was composed of peers and commons, under the chairmanship of Lord Bryce. The examination, completed in about six months' time, was reported in the form of a letter to the Prime Minister.

Some of the paragraphs, bearing more particularly on individual liberty, have an important bearing on the issue under consideration:

*"It was agreed that a Second Chamber ought not to have equal powers with the House of Commons, nor aim at becoming a rival of that assembly. In particular, it should not have the power of making or unmaking Ministries, or enjoy equal rights in dealing with finance."*

*"The Second Chamber should aim at ascertaining the mind and views of the nation as a whole, and should recognize its full responsibility to the people, not setting itself to oppose the people's will, but only to comprehend and give effect to that will when adequately expressed."*

*"The great Council of the Nation from which*

the House of Lords directly descends, the House of Commons having been added to it in the thirteenth century, is the oldest and most venerable of all British institutions, reaching back beyond the Norman Conquest and beyond King Alfred, into the shadowy regions of Teutonic antiquity."

"Persons who, while likely to serve efficiently in a Second Chamber, may not have the physical vigor needed to bear the increasing strain which candidacy for a seat in the House of Commons and service in it involves."

"It was generally agreed that a Second Chamber would be of little use unless it was strong enough to differ from the House of Commons when a proper occasion arose—a proper occasion being one in which there was reason to believe that some decision of the Commons did not express the full and deliberate will of the people."

*"It is recognized on all hands that Bills of a purely financial nature belong to the House of Commons alone and ought not to be rejected or amended by the Second Chamber. It has always been understood in this country—and this is the practice in nearly every country where a Second Chamber exists—that the Second Chamber should be entitled to full power in the sphere of such legislation as is not of a financial character."*

"From the principle, generally accepted in this country and universally acted upon in other countries, that a Second Chamber shall, as compared with the larger and directly elected House, represent the more permanent mental attitude and tendencies of the nation,

and be more exempt from sudden and violent fluctuations of opinion; two conclusions seemed to follow: That the tenure of a member of the Second Chamber shall be longer than that of a member of the House of Commons. That the Second Chamber shall not be renewed in its entirety all at once, but as to a part only, a proportion of its members retiring at stated intervals."

As proposed by the conference, this Second Chamber was to derive its power in the main from the House of Commons. Persons were to be elected by the members of the House of Commons grouped in territorial areas; and by persons elected by a Joint Standing Committee of both Houses.

Even this brief summary of some of the outstanding features of the Constitutions of these countries reveals certain striking similarities. The character of both Chambers of Government is very similar. Through the referendum, or through unequal financial powers, the Upper Chambers have been placed in a subordinate position.

This subordinate position of the Upper Chambers reflects the status of private property in government. Constitutional restraints on the powers of taxation have been lifted as the powers of these Chambers have declined.

Because taxation is today the open door to public ownership, it is worth while realizing that the temper of the people of Europe is not what it was before the war. They are viewing the confiscation of property through taxation as a practical remedy for the ills that

have followed upon the war. The question very naturally arises: If we are all politically equal, and the life of the citizen belongs to the State, why has not the State the right to expropriate private property in order to remedy the ills of society?

This is a question which cannot be evaded. If we can answer it by defining a basis of private ownership which will give continuity to civilization there is hope of checking the floodtide of Socialism. Such a basis of private ownership will call for the necessary legislative and judicial organization that will enable the substitution of an international police force for the present competition in armaments. If we can show how the State will be limited in its demands upon the life of the citizen, then we can question the right of the State to adopt Socialism through taxation as a means of insuring good will between nations.

The Socialists have a very definite solution for the problems of war. Public ownership, they claim, will eradicate war. Class war, they say, is inevitable, so remove the causes and concentrate the control of the principle means of production and distribution in the State.

The only difference between the ideal of Socialism and the ideal of those who believe that all political power comes from the people is one of degree. The Socialists believe that the people should own the principle means of production and distribution in order to insure their political supremacy. Those who believe that all power comes from the people are still in doubt regarding economic equality. Both these ideals disregard the labor and occupation of the individual as

something that distinguishes him as an individual from all the people; as something that characterizes individual liberty and should be represented in government. Both these ideals call for centralization of power and the substitution of the rule of a numerical majority for the majority rule of a divided legislature, a two-chambered legislature.

The Socialists through public ownership would remove the causes of strife between individuals. They do not tell us, however, how the struggle between nations will be terminated, when the people come to own the principle means of production and distribution. If, for example, the pressure of population in a great manufacturing nation continues to increase, and the government is unable to provide work for its citizens, is there any reason to believe that the government will not reach out for more raw materials and larger territory? Both the Socialists and those who believe that all political power comes from the people are discounting the new responsibility of a people for relating its rate of population increase to the resources available for their support.

At the present rate of population increase Australia, Canada, the United States, Argentina and Uruguay will probably reach the saturation point of population within the next century. Europe and Asia are already overpopulated and require more territory. The world faces today a new situation. Mexico, South America and Africa are the only countries which can materially aid in taking care of this surplus population.

In view of the fact that these countries are largely under the control of the white man, how is Asia to

provide for its increasing numbers? The truth is that Asia has no way of providing for her surplus population. Unless the East and West can reach an agreement on this question, the establishment of any permanent basis which will insure the continuity of civilization is out of the question.

The Socialist tells us that the great end and aim of society is the abolition of strife, economic, political, military. They do not tell us how to lay the foundation that will give an eternal meaning to Life. Civilizations in the past have risen and fallen, but they have not been sustained. This problem of giving continuity to civilization, so that the individual may feel that he or she is contributing through his or her occupation to something that is lasting, is today a greater problem than war.

We are told that our interest in war can never cease, because—"with all its cruelty and futility it has the power of raising men to their highest and exhibiting human nature at its greatest."

Would not the task of giving a lasting meaning to civilization "raise men to their highest and exhibit human nature at its greatest"? Is not this task larger than war? Will this task not involve the general abolition of war as an inevitable consequence of its realization? This is a decision that all mankind, all governments, are in the process of making at this time. If we fail in taking the right turn, the opportunity will never recur. Just why the opportunity will not again be afforded the human race; just why a wrong turn at this time will involve the hopeless dissipation of what we have inherited from the past and anticipate

for the future is matter for later consideration in the book. The human race is today a great organism; the blood-flow of civilization depends upon keeping open the arteries of trade, of art, of religion. If these arteries fail to function effectively, the constitution of the organism will suffer irreparable damage. If these arteries were to be destroyed the organism would die.

The occupations of men and women depend upon natural resources. Without natural resources no Socialistic or Capitalistic State could provide work. If we waste these natural resources, with the billion and a half individuals now living, civilization cannot possibly be sustained and the standards of living will fall.

The world is fast reaching the saturation point in the matter of population. The countries open to overflowing populations are so limited in number and area that unchecked expansion is prohibited. Unless the nations of the world are willing to set in motion the political, economic and religious forces necessary to insure the conservation of natural resources; necessary to insure a rate of population growth in keeping with those natural resources, the phenomenal increase in population growth that marked the past century will continue until the margin of safety from starvation the world over will be nil.

We cannot neglect the evidence of the past hundred years. Well-known biologists in this country and abroad are pointing out to us the over-populated condition of most of the European countries; the over-populated condition of Asia. They tell us that as a result of all the ages of civilization the world's popu-

lation only numbered about 650,000,000 a century ago. Within a little over a hundred years the world's population doubled, so that it numbers about 1,700,000,000 today. This increase in population is almost as startling as the increase in world trade during the last century, an increase from \$2,000,000,000 to \$50,000,000,000. The cause for this increase in population growth is cheap food, and the cause of cheap food is the use of machinery in cultivation, and the use of new, improved methods of transportation and distribution. Cheap land, shallow cultivation, and machinery have together contributed to the production of cheap food. The new land in the United States has already started to give out, so that more money and labor are required to the acre than were needed thirty years ago.

Notwithstanding the growing pressure of population in India and Russia both countries exported a large amount of wheat between 1911 and 1913. The average for these years was: "Russia, 128 million bushels, and India, 60 million bushels." This really represented an export of grain that was needed at home. The use of farm tools and improved transportation facilities largely accounted for the increase in production in these countries.

Shallow cultivation and waste of soil fertility cannot continue in the United States without the further depreciation of the agricultural industry and its final subordination. This waste of soil fertility first came to my personal attention some years ago in connection with the work of a tie company on the Ohio River. The company paid thirty-five and forty cents for

number one red and white oak railroad ties. Most of the ties were hand hewn, and were often carted eight or ten miles to the landings. I observed at the time that the farmer was making no charge for replacement, and later I realized that we were not as a nation making allowance for soil depreciation.

While cheap food is the direct cause of the increase in world population, and the United States is in a measure responsible for this increase, the development of the manufacturing industry during the past century is the fundamental cause. The increase in the production of food could not have come about without improved tools and transportation; and the manufacturing industry is responsible for both.

If the great manufacturing nations continue to encourage the expansion of industry at home, regardless of the need which exists for its development by other nations suited by temperament, geographical position and access to raw materials, then those nations will have to hold themselves chiefly accountable for the continued production of cheap food and the growing waste of soil fertility at home and abroad. Such ready access to cheap food will continue to stimulate population growth regardless of the resources necessary for support. The pressure of population upon governments will force a subjection of weaker peoples.

If the world-wide urge of nationality which is abroad today can be so directed as to insure the conservation of natural resources, all will be well. We will be in a fair way to answering the question which has puzzled mankind through the ages. How is self-interest, or in other words, how is liberty to be reconciled

with the public good? Are self-interest and public-interest reconcilable, or is the complete subordination of the individual necessary to public welfare? If we measure the State in terms of war, then this subordination of the part to the whole is inescapable. If we measure the State in terms that give a lasting meaning to civilization, then the part and the whole are equally necessary, in our estimation.

Our problem requires that we link up liberty, ambition and self-interest with conservation, so that as we develop along any line replacement costs will be accounted for. This regard for replacement costs will take the selfishness out of self-interest; it will involve the introduction of a new element of altruism into each individual's occupation. Knowing that the resources of the world are limited, craftsmanship is the concern of everyone, for upon craftsmanship depends the conservation of the world's resources. If the great body of workers of the world are to help in laying this foundation essential to the continuity of civilization, then they must feel a proprietorship in the natural resources of their respective countries.

If individual occupation is the key to the problem; if conservation of natural resources depends upon self-interest, that desire to express the best that is in us; then the opportunity is open to the entire world to develop its creative abilities, and give an eternal meaning to civilization.

This linking up of conservation with individual endeavor offers a very formidable substitute for war. If we, each one of us, spends his or her energies in a ruthless development of resources regardless of

waste, war is inevitable. If our energies go into the conservation of resources, at home and abroad, the cause for war will no longer exist. This task of showing how civilization is carrying on, and convincing ourselves and others that it is not declining, is a herculean task requiring the best that we have to give in our occupation and in our thought for the public good. In order that the individual may be afforded this double opportunity, it will be necessary that we account in government for natural resources, as well as for the welfare of all the people.

When the natural resources of the world appeared unlimited, they were not recognized in terms of present and future wealth. There was no check placed upon expansion. Now that natural resources are limited in amount, the need arises of accounting for this wealth in government. The wealth upon which this and the future generations must depend for occupation is limited, and each individual has a peculiar interest in the adequate representation in government of this circumscribed means through which each will be afforded an opportunity to use his or her talents to the best advantage.

The entire world is on fire with the spirit of nationalism and internationalism. Is nationality to be made secure so that each nation will be able to contribute through the use of its talents to the continuity of civilization, or to a temporary and uncertain end?

Constitutional restraints have been so generally lifted in the great manufacturing nations that the income and inheritance taxes are open to unlimited use. Wealth is being used, regardless of replacement costs,

in combination with the preferential tariff to win markets and raw materials. The lead which industry has gained in these countries cannot be overcome by agriculture. Agriculture has been reduced to an inferior position, a status which stimulates the cheap production of food at home and abroad. And as a consequence of this cheap food, population increases regardless of the resources available for its support.

The great manufacturing nations are primarily responsible for this impetus to population growth. The responsibility for initiating the steps necessary to bring about the stabilization of the industry devolves upon them. Upon the stabilization of this industry depends the stabilization of the population growth of the world.

If a nation is sufficiently interested to clamor for independence, it is sufficiently interested to work with other nations for the conservation of its own natural resources. When a nation realizes that its own resources can only be developed to the best advantage through establishing a rate of population growth that will be in keeping with those resources, then the interest of the people in the opportunities afforded will dictate the rate of population increase.

There are many statesmen, scientists and historians pointing today to the menace of over-population; to the menace of the drift of population to the cities. If this increasing concentration goes on, they say we will break under the weight. Guglielmo Ferrero in *Ancient Rome and Modern America*, Brooks Adams in *The Law of Civilization and Decay*, graphically describe this drift of man to the cities in earlier civiliza-

tions. They explain how over-specialization has been largely responsible for the decline of other civilizations; how it is a menace in our own times. James M. Beck, in his most interesting history of the Constitution of the United States, questions where the industrial revolution is leading us. He says: "The incalculable multiplication of power has intoxicated man. The lust has obsessed him, without regard to whether it be constructive or destructive. Quantity, not quality, becomes the great objective. Man consumes the treasures of the earth faster than he produces them, de-foresting its surface, etc. As he feverishly multiplied the things he desired, even more feverishly he multiplied his wants. To gain these, man sought the congested centers of human life."

When we stop and consider the Constitution of the so-called capitalistic nations, and see to what extent the limitations on the income and inheritance taxes have been lifted, we realize how truly we are engaged in making a decision for or against the retention of private ownership. We have very lately emerged from a war, and the suffering defies any attempt at description. The tragic sorrow of this frightful tragedy weighs heavily. Unparalleled heroism has been shown in the way the sorrow has been met. Those who died, died that we might carry on; but carry on to what end?

If those nations where manufacturing industries are securely established continue to mobilize their wealth through taxation in order to subsidize those industries, and extend further aid to them through a preferential tariff; if they encourage the importation of cheap food

in order that they may devote more time to winning markets and raw materials, then the population pressure within their borders will continue to increase and their standards will fall. If consumption is to keep pace with production, then the standard of living of the consumer must be maintained. If it is not maintained his purchasing power will fall.

The Socialist says that if the people owned the principle means of production and distribution, the rivalry between nations for monopoly control of markets would cease. But the Socialist, and those who believe that all government power originates with the people, discount the pressure of population, which forces governments to support measures of relief that cannot be permanent. If the great manufacturing nations of today were to substitute public ownership for the institution of private property, does anyone suppose that agriculture would fare any better than it is faring today? Would the great manufacturing nations give up their advantage and effect a more wholesome relationship between the city and country?

Every so-called capitalistic nation is confronted today with the problem of bringing the powers of taxation under Constitutional control. This will undoubtedly be accomplished by each country giving its natural resources adequate representation in the government. But how are natural resources to be conveyed into government, so that they may serve as a balance wheel to population? In order to determine whether we are wasting or conserving those resources we will have to introduce the time element into our calculations. Then there is the interest and endeavor

of the individual, essential to the transformation of the resources, which must be accounted for. Income accounts for all these elements in the transformation. Income is something which a people can only maintain through accounting for their rate of population growth. If there are too many people engaged in production they will consume all they produce, and there will be no general surplus for distribution. Unless we can tell whether we are putting back a little more into the soil than is required to preserve a minimum of soil fertility, we cannot be sure of its conservation. Income enables us to tell whether we are producing more than we consume. Income measures the results of the interaction between a people and the natural resources. We have calculated wealth in the past in static terms. We have reached a point, due to the limited area of land remaining, which necessitates our accounting from year to year for the use of natural resources.

Chapters VIII and IX of this book deal with income as a basis of representation in government; as a factor of control in the government of corporations.

Business magazines of late have been publishing a great many articles on the subject of business cycles. Civilizations appear to have their ups and downs. The fact is that the purchasing power of an over-populated country cannot be sustained. It will gradually fall as the pressure of population increases and the cost of food mounts.

The steadiness of any market is in part dependent upon the distribution of capital. A wide diffusion of capital insures a wider investment market and more

consumers, provided the standards of the country are rising. The increase in the number of stockholders throughout this country during the past ten years is an encouraging sign. H. T. Warshaw, of the National Lead Company, in the *Journal of Economics* for November, 1924, gives the following figures on this increase: "Increase from about 4,400,000 stockholders in 1900 to about 14,400,000 in 1923; about a 250 per cent increase. There has been, furthermore, a shifting of ownership from the wealthy few to the middle and wage-earning classes." Many of the larger corporations of the country have afforded their employes unusual opportunities to purchase stock. This in no way alters, however, the problem of corporation control. The present control of corporations through stock ownership does not insure the adequate representation of the contribution of the various parties interested in production. The present government of corporations does not inspire confidence in the endurance of the business from generation to generation. If the man who produces above a minimum, above the overhead cost on his job, is allowed to share in income according to his ability, and this property right of skill is recognized in law, then we may count on the particular interest of the individual man on his job and the ultimate conservation of the natural resources of the nation. The man who has a stake in income will be interested in having income adequately represented in government. Unless this proprietary interest in natural resources is accorded to the man who produces above a minimum, Socialism is inevitable.

I would not be understood as condemning Socialism

absolutely. The post offices and schools are often successfully, and in nearly all countries, run by the government. There are some nations that are undoubtedly more suited to government control than individual freedom. Many more nations are, however, better suited to the institution of private ownership. If private ownership is to survive this floodtide of Socialism, then we will have to define the broader basis upon which private ownership in the future is to rest.

As long as there were no definite limits to national expansion, we were without any actual measure for the influences of heredity or environment. Now that these limits do actually exist we are able to measure the force of heredity in terms of population, and that of environment in terms of natural resources. This is a discovery we have been endeavoring to make throughout the ages. Edmund Burk, whose speech on *The Conciliation of the American Colonies* is so well known, doubted "whether the history of mankind is yet complete enough, if ever it can be so, to furnish ground for a sure theory of the internal causes which necessarily affect the fortune of a state."

We are seeking after a permanent basis of agreement between nations that will insure continuity to civilization. It is this principle of balance between population and natural resources which points the way to a lasting relationship. We look to principle to distinguish for us the relation of the part to the whole. We look to principle to discover how reciprocity comes about.

## II

### THE SIXTEENTH AMENDMENT—UNCONSTITUTIONAL

The widespread belief that sovereignty of government in the United States rests with those bodies empowered to alter the Constitution, that it resides in a two-third majority of each House of Congress and a three-quarter majority of the State Legislatures, is not the whole truth. This Constitution specifically provides against amendments which deprive the States of equal representation in Congress. Such amendments cannot be adopted without the unanimous consent of all the States; if otherwise adopted they are unconstitutional.

Notwithstanding this provision of the Constitution, the Sixteenth Amendment was adopted in 1913, and is generally accepted as the law of the land. Those who accept this amendment do so, however, with their eyes closed. They are discounting the new powers of taxation that have been conferred upon the Federal Government. Congress is only granted a concurrent right with each State to levy direct taxes upon the individual citizen. The Sixteenth Amendment confers upon the Federal Government an exclusive right; a grant of power which completely sets aside the right of the States to equal representation in the Senate.

Unless the States are secure in their concurrent right to tax persons and property within their borders, they can only exist at the mercy of a national government. This unlimited grant of power to the Federal Government destroys this security; it embarrasses and places in jeopardy the State Governments, together with all their subdivisions.

Our belief in local government has its origin in the early history of the country. The framers of the Constitution had only just emerged from a struggle for independence. The rallying cry had been "no taxation without representation." They were imbued with the belief that "self-taxation constituted the main security against oppression." For them the validity of any tax rested upon the consent of the governed.

The Sixteenth Amendment grants the Federal Government the right to tax the citizens of the States without the consent of the States as such. Because the States have no actual voice today in determining the amount or the apportionment of direct taxes levied by the Federal Government upon the individual citizens within their borders, their sovereign power is curtailed. This curtailment amounts to a complete nullification of their control over the power of direct taxation.

It was very generally understood in 1789 that direct taxation was a qualified grant of power, and would be used as a last source of revenue by Congress. James Madison, Alexander Hamilton, John Adams, Dawes, Sumner, King, Sedgwick were all

agreed that in emergencies the Federal Government should have co-equal access to the sources of State revenue, as they might be indispensable to the nation's life in a great crisis. The original expectation that the power of direct taxation would be used only in extraordinary emergencies was realized down to August 15, 1894. The act of that date was passed during a time of peace. Thereafter direct taxation was looked upon as an ordinary source of revenue.

The expenses of the Federal Government were easily met for many years through custom and excise taxes. Because the functions of government were few the expenses were comparatively small. It was believed that a meager land tax would furnish the needed revenue to the States after their particular debts had been paid. During twenty-eight years up to 1892 there had been a surplus in the treasury, as in the year 1890, which showed \$44,000,000 on hand. In 1892 the Federal Revenue raised by Congress amounted to \$425,000,000. In 1912 it amounted to about \$992,000,000. An increase in pensions from \$75,000,000 in 1887 to nearly \$153,000,000 in 1912, together with the creation of new committees invested with the power to spend large sums on waterways, roads, educational institutions and military and naval protection created a deficit. This deficit forced Congress to make further use of direct taxation. Finally, in 1913, the Sixteenth Amendment became the law of the land. "The Congress," it provided, "shall have the power to lay and collect taxes on

incomes from whatever source derived, without apportionment among the several States and without regard to any census or enumeration." Direct taxation, once an emergency measure, is today the principle source of Federal revenue.

Our earlier statesmen believed that it would be impossible, under ordinary conditions, to collect direct taxes from the individual. The means of communication in those days were uncertain, the distances were great, and property values changed rapidly. Most of the property consisted of land and articles of personalty. The manufacturing industry was in its infancy, and as it grew a new form of capital emerged. This industrial and mercantile capital increased rapidly. It was a form of capital that lent itself to joint ownership under corporate control. This form of ownership in turn led to a break in the close relationship between owner and property. The owner was now often a stranger to his property, the property being in one part of the country while the owner was in another part. It was a form of property more mobile than land, more capable of concentration. The problem of reaching this intangible form of wealth gave rise to the income tax, corporate and individual.

The functions of government were limited, during our earlier history, by the lack of productive enterprises required to furnish the revenue necessary to expansion. The difficulty and cost of collecting direct taxes was another barrier. Taxes on articles of consumption had to be limited in

amount. If duties were raised too high they lessened consumption and encouraged evasion. Because there was no natural and inherent limitation within the power of direct taxation itself, the framers of the Constitution took the greatest care to fix definite limits. The value of land and personality were so closely related to the number of people that it was agreed that one or the other would serve as a basis for the apportionment of direct taxes between the States. It was finally decided that in view of the difficulties that would be encountered in the valuation of land in a country so sparsely settled, population would be more serviceable as the measure of the ability of each State to pay. The difficulties encountered by the Confederation in apportioning taxes according to the surveyed lands and improvements thereon in the several States was fresh in the minds of those men. The surveys, it will be recalled, had been so inaccurate that the rule had never been followed.

If the framers of the Constitution were so careful in their day to secure the objects of State revenue against Federal monopoly, how much greater should be our concern, in view of the expanding functions of government; in view of the tendency for governments to engage in activities ordinarily assumed by private individuals; in view of the general recognition of direct taxation as an ordinary source of revenue, whereas formerly it was understood to be an emergency source.

The Sixteenth Amendment, by its grant of absolute power, disregards the concurrent right of the

States to tax property within their borders. Under the present interpretation of the Amendment, the majority in Congress is in a position to increase the income and excess profits taxes to a point which would enable the Federal Government to purchase the railroads and, by degrees, the other key industries of the country. What the framers of the Constitution sought in every way to guard against, the direct taxation of persons and property within any State by a majority made up from other States, has come to pass.

This amendment gives the Federal Government unlimited access to nearly every form of property within the States. The question arises as to how far the Federal Government will go in competing with private enterprise. No one can be sure how long it will be before Federal taxation will be increased to a point which will involve the general confiscation of private property for public purposes. If the income from the principle sources of local revenue is gradually consumed by the Federal Government, the property must in time pass into the same hands. In the eye of the law, whatever affects any element that gives an article its value, affects the article itself.

When the States relinquished their right to tax imports, to impose tariff barriers, they were careful to see that taxation and representation should go together, so that the sovereignty reserved to the States should not be curtailed. The extent to which the sovereignty of the States has been curtailed can be determined through comparing their

original status in the Constitution with their present position.

We will have to look to the structure of the government to discover the status of the States in respect to direct taxation. As explained by Chief Justice Marshall, "the only security against the abuse of this power is found in the structure of the government itself." If, upon examination, it is found that the structure of the Constitution has been so changed that it no longer secures the States against an abuse of this power; no longer preserves through the equal vote the portion of sovereignty remaining in the individual States; no longer gives us a real conception of this remaining sovereignty, then a more accurate index of State sovereignty requires immediate recognition, if the Union is not to be supplanted by a national government.

Unless a government owns property and derives a revenue from it, some form of taxation is essential to its support. In describing taxation as one of the most essential features of government, John Fisk the historian said: "The questions as to how much the taxes shall be, and who is to decide how much they shall be, are always and in every stage of society questions of most fundamental importance. A very large part of what man has done, in the way of making history, has been the attempt to settle these questions." Taxation is described by A. N. Holcombe as "the most drastic power possessed by a government next to the

power of drafting men into the military and naval services."

If a government is given unlimited access to the income of all forms of property, the results of every man's labor are in constant danger of appropriation. We cannot be sure how much of our property the government will take. This uncertainty leads men to work and spend regardless of the future. A country suited to the institution of private property insures its fair protection in government, or, failing in this, invites public ownership.

The incorporation of human labor into property gives property its taxable value. The invention of the steam engine, the discovery of the North Pole, the damming of the Nile, are all forms of human labor that enter into our measurement of natural resources. Some form of property is the measure of this relationship. Because property and human labor are interchangeable quantities, property has been given protection in government down through the centuries. History is in part a record of the representation of propertied groups: nobles, clergy, burgers, and, more particularly since the French Revolution, of that great body of wage-earners so often spoken of as the people.

The field of government taxation has widened as the number of individuals who produced more than they consumed increased. The belief prevailed that property was the measure of man's ability to contribute toward the support of government; and that those who could not help to shoulder the burdens of government were not en-

titled to vote. There is a belief prevalent today that taxation and representation bear no relation to each other; that government can be paid for regardless of individual effort. We know, however, that the conservation of natural resources is not alone a question of mass production.

The fifty-five delegates who assembled in Independence Hall, Philadelphia, 1787, believed that there was a vital relationship between taxation and representation; they believed that property should be given adequate protection in the Constitution. The lessons of history, bearing on the representation of property in government, were carefully considered by them, as evidenced in their debates.

Property in that day was surety of a certain permanency of residence in and attachment to the community. James Madison, for instance, thought that "the freeholders of the country would be the safest depositories of Republican Liberty. In future times a great majority of the people will not only be without land, but any other sort of property. These will either combine under the influence of their common situation, in which case the rights of property and the public liberty will not be secure in their hands; or, which is more probable, they will become the tools of opulence and ambition, in which case there will be equal danger on another side."

Washington and Jefferson were both apprehensive of the growth of rural populations. Washington, in a letter written to La Fayette at the time of the French Revolution, said: "The tumultuous

populace of large cities is ever to be dreaded. Its indiscriminate violence prostrates, for the time, all public authority." George Mason, Abraham Baldwin, Butler, W. R. Davie, Oliver Ellsworth, Charles Pinckney, Judge Rutledge and Roger Sherman are some of the names in the list of delegates who championed the rights of private property.

The Assembly, after months of deliberation, agreed that population would best serve as the basis of representation in the Lower House of Congress. It had the advantage of being an index to property as well as persons. The wealth of the community was therefore taken into account in the representation of the community. Taxation and representation were to parallel each other in the progress and development of the country. As an index of wealth population would lead the Lower House to vote taxes with the knowledge that they would fall immediately upon those who imposed them. As an index of persons, population would insure those who were most heavily taxed a proportionate influence in the government. An inherent limitation was understood to exist in the nature of the composition of this assembly. Taxation could not be imposed without the assumption of an equal measure of responsibility.

The Constitutional ruling that all direct taxes shall be apportioned between the States in accordance with their respective numbers, insured in the case of each State a distribution of the imposition in accordance with the weight of representation.

It secured the accumulated property in the State against the vote of mere numbers, and against the control of property held within the State by the superior numbers of one or more of the other States. It prevented a numerical majority from fixing the exemptions in such a way as to exclude their own members from taxes which they would impose. This provision in the Constitution which empowers Congress to vary representation in accordance with wealth and population was undoubtedly one of the most important principles in that instrument of government.

We realize the added advantages of this common measure, when we consider its further application as described by Alexander Hamilton. "As the accuracy of the census to be obtained by Congress will necessarily depend, in a considerable degree, on the disposition, if not the co-operation, of the States, it is of great importance that the States should feel as little bias as possible, to swell or to reduce the amount of their numbers. Were their share of the representation to be governed alone by this rule, they would have an interest in exaggerating their inhabitants. Were the rule to decide the share of taxation alone, a contrary temptation would prevail. By extending the rule to both objects, the States will have opposite interests, which will balance each other and produce the requisite impartiality."

This provision for the variation of representation served to bring the North and South together on the question of the distribution of representa-

tives and taxes. In the distribution of direct taxes, it meant a great deal to the South to know whether slaves were to be counted as population. In the apportionment of representatives the question of slaves was of like concern. It would not have been reckoned as fair to count the slaves in the assessment of taxes and discount them in the apportionment of representatives. Madison finally suggested that five slaves should be counted as three individuals, both in the apportionment of taxation and representation.

The direct tax clause was not inserted in the Constitution, as many would have us believe, solely as a concession to slavery. It was introduced in order that this co-equal power granted the Federal Government might conform with the general ruling that taxation and representation should hang together. It was introduced, as Hamilton says, "to reconcile an indefinite constitutional power of taxation in the Federal Government with an adequate and independent power in the States, to provide for their own necessities. The inference from the whole is that the individual States would retain an independent and uncontrollable authority to raise revenue to any extent of which they may stand in need, by every kind of taxation, except duties on imports and exports."

The explanation of James Madison regarding the collection of direct taxes was the one which seems generally to have been accepted by the framers of the Constitution. "It is true that the Confederacy is to possess, and may exercise the power

of collecting internal as well as external taxes throughout the States; but it is probable that this power will not be resorted to, except for supplementary purposes of revenue; an option will then be given to the States to supply their quotas by previous collections of their own; and that the eventual collection, under the immediate authority of the Union, will generally be made by the officers, and according to the rules appointed by the several States."

The proportion of these taxes was not to be left to Congress, but was to be determined by the population of each State. As land and objects of personalty constituted the principal sources of wealth within the States in that day, it was generally understood that those sources of revenue would fall within the category of direct taxes. Congress, it was believed, would make use of the system of valuation within each State, and allow the States to distribute the taxes as seemed most advantageous to their citizens. This point was very clearly brought out in the communication which Lutin Martin sent to the Legislature of Maryland in January, 1788: "By the power to lay and collect taxes, they may proceed to direct taxation on every individual, either by a capitation tax on their heads, or an assessment on their property. Many of the members, and myself in the number, thought that the States were much better judges of the circumstances of the citizens and what sum of money could be collected from them by direct taxation, and of the manner in which it could be raised with

the greatest ease and convenience to their citizens, than the general government could be; and that the general government ought not to have the power of laying taxes in any case but in that of the delinquency of a State."

This security to sovereignty was not alone accomplished through the organization of the House of Representatives. The United States Senate, as originally constituted, was very closely associated with property held within the States. Senators were indirectly elected by State Legislatures, and property qualifications were almost uniformly required of representatives in these legislatures. In New York State senators were required to possess freeholds of the value of one hundred pounds, and were elected by voters who were required to own freeholds of the same value. Those who voted for members of the Lower House had to possess a freehold of twenty pounds, or a certain equivalent. A majority of the States required property qualifications of the voters, or a payment of taxes. Many of the States required a higher property qualification for members of the upper branch of the assembly.

The United States Senate, because of the basis of election, was understood to have a more direct interest in the protection of property rights and the rights of individual liberty. The Lower House, on the other hand, because it derived its power from the people at large, was considered to be more interested in those affairs which had to do with the general welfare. The equal vote, as

Hamilton explained it, "is at once a constitutional recognition of the portion of sovereignty remaining in the individual States, and an instrument for preserving that residuary sovereignty. So far the equality ought to be no less acceptable to the large than to the small States; since they are no less solicitous to guard by every possible expedient against an improper consolidation of the States into one simple republic."

Madison expressed very similar views on the question of State sovereignty: "The exception in favor of the equality of suffrage in the Senate was probably meant as a palladium to the residuary sovereignty of the States, implied and secured by that principle of representation in one branch of the legislature; and was probably insisted on by the States particularly attached to that equality."

There is no rule that entered more into the building of the Constitution than the one which required taxation and representation to keep pace with the wealth and population of the country. While representation was more often thought of in relation to persons, and taxation in relation to property, the coincidence between the two was so close that they were recognized as interchangeable. To abolish a principle so fundamental to this earlier conception of the Constitution, would be tantamount to sacrificing in its entirety the principle of dual sovereignty. The principle of dual sovereignty cannot be abolished without the complete subjection of the States and their subdivisions to a national head. The States must be

secure in their co-equal right to tax property within their own borders, otherwise their security is no longer measurable in terms of sovereignty, no longer capable of representation in Congress.

It is true that the coincidence between wealth and population did not continue to hold, as anticipated by the framers of the Constitution. The growth of a new form of wealth in this country was destined to alter this near relationship between these two factors of progress. The rapid development of the manufacturing industry gave rise to the growth of mercantile and industrial capital. This attracted increasing numbers to these shores. Even before the World War we had begun to realize that there were limits to our powers of assimilation. The depletion of our native stock was being accompanied by a steady proportional increase in the number of foreign born. Our natural resources, which at one time had seemed inexhaustible, had been in some important instances much depleted. A policy of conservation was essential if our forests and the fertility of the soil were to serve the future needs of the country.

Wealth and population, accurate enough measures of the country's earlier progress, had become limits in themselves to our growth. An unlimited growth of population, regardless of natural resources, must result in a waste of human life as well as natural resources. A principle so closely interwoven into the fabric of the Constitution as this principle of coincidence, could not alter with-

out involving a corresponding change in the structure of that instrument of government.

The movement of so many people away from the land, and the concentration of so much wealth and so many people in manufacturing centers were bound to completely upset the near relationship between wealth and population. It was only about a century ago that 87 per cent of the people of the United States were living on the farm; whereas today only about 30 per cent live close to the soil. Under these conditions the Federal Government could not tax the States with large manufacturing cities according to the rule of numbers without working a grave injustice. Population was no longer an accurate measure of the wealth of the States, no longer an index to the value of the farms and stocks, the personalty or the mercantile and industrial capital. So much intangible wealth was escaping taxation that some way had to be discovered of reaching it. The need for insuring a fairer distribution of taxes was largely responsible for the development of the income tax.

The growing divergence in the coincidence between wealth and population led to more and more objections being raised to the apportionment clause. No new index was suggested as a substitute for population. As long as numbers no longer served as an index, popular interest in the entire principle began to wane. This disregard of the coincidence between wealth and population led in time to a lax construction being placed on direct and indirect taxation. Gradually the argument

was advanced that no tax could be regarded as a direct tax which could not be apportioned according to the rule of numbers. Professor Seligman advanced the opinion that, "If these provisions apply to the taxation of income, they mean that if State A, with the same population as State B, has five times the wealth, the income tax payable by a citizen of State B will be five times as large as that payable by an equally wealthy citizen of State A. So monstrous an inequality would, of course, prevent Congress from imposing an income tax as a direct tax. To make a Federal income tax practicable, it is necessary either to declare it to be an indirect tax—the sole restriction to which is that it shall be uniform—or expressly to permit the levying of an income tax without apportionment."

Direct taxes were levied by the Federal Government in 1798, 1813, 1815 and 1861. These levies were made according to the apportionment ruling laid down by the Constitution, and as emergency measures. The prospect of a war with France was the occasion of the first levy. The tax was assessed upon the "dwelling houses, lands, and slaves." In 1861 the act was so written as to include real estate, and incomes derived from property, trade and professions.

In 1868 the Supreme Court of the United States decided that "the direct tax did not create any liability on the part of the State to pay the tax, but that the tax was upon the property of the individual." This ruling of the Court was an initial

step in the movement to divest the States of all control over the power of direct taxation exercised by the Federal Government. Subsequent legislation, culminating in the Sixteenth Amendment, has resulted in the complete disfranchisement of the States in respect to this power of direct taxation.

The influence which this divergence in the coincidence between wealth and population was having on court decisions is very clearly shown in the case of *Springer vs. United States*, in 1880. Mr. Justice Swayne in delivering the opinion of the Court said: "The central and controlling question in this case is whether the tax on the income, gains and profits of the plaintiff in error, as set forth in the record, is a direct tax. It was well held that where such evils would alter the apportionment of a tax the Constitution could not have intended that an apportionment should be made. This view applies with even greater force to the tax in question in this case. When the population is large and the incomes are few and small it would be intolerably oppressive." The court decided in this case that direct taxes, within the meaning of the Constitution, only included taxes on real estate and capitation taxes.

This decision did not settle, however, the question as to whether the income on rents from real estate was a tax on the real estate itself and therefore a direct tax. This question was finally taken up in the *Pollock Case* in 1894. The income tax law of 1894 included a tax on individuals and corporations. The tax on individuals was levied on

"gains, profits and incomes derived from any kind of property, rents, interest, dividends, or salaries, or from any profession, trade, employment or vocation." The rate was 2 per cent on incomes over \$4,000. The tax on corporations was levied on net income, income from which operating expenses had been deducted. The rate was 2 per cent.

In the Pollock Case, contrary to earlier opinions, the Court held that a tax on income or real estate was a direct tax. This left open to question the nature of income derived from other forms of property.

The first decision in the Pollock Case was rendered in April, 1895. Ten days later a petition was filed for a rehearing, and in May of that year the Court reached a decision. The opinion rendered has so important a bearing on the further discussion of the Sixteenth Amendment, that it is quoted in full:

### October Term, 1894—Court Opinion

And yet we are thus invited to hesitate in the enforcement of the mandate of the Constitution, which prohibits Congress from laying a direct tax on the revenue from the property of the citizen without regard to State lines, and in such a manner that the States cannot intervene by payment in regulation of their own resources, lest a government of delegated powers should be found to be, not less powerful, but less absolute, than the imagination of the advocate had supposed.

We have considered the act in respect of the tax on income derived from real estate, and from invested personal property, and have not commented on so much of it as bears on gains or profits of business, privileges, or employments, in view of the instances in which taxation on business, privileges or employments have assumed the guise of an excise tax and been sustained as such.

Being of the opinion that so much of the sections of this law as lays a tax on the income from real and personal property is invalid, we are brought to the question of the effect of that conclusion upon these sections as a whole.

It is elementary that the same statute may be in part constitutional and in part unconstitutional, and if the parts are wholly independent of each other, that which is constitutional may stand while that which is unconstitutional will be rejected. And in the case before us there is no question as to the validity of the act, except sections 27 to 37, inclusive, which relate to the subject which has been under discussion; and as to them we think the rule laid down by Chief Justice Shaw in *Warren v. Charlestown*, 2 Gray 84, is applicable: That if different parts "are so mutually connected with and dependent on each other, as conditions, considerations or compensations for each other, as to warrant a belief that the legislature intended them as a whole, and that, if all could not be carried into effect, the legislature would not pass the residue independ-

ently, and some parts are unconstitutional, all the provisions which are thus dependent, conditional or connected, must fall with them." Or as the point is put by Mr. Justice Matthews in *Poindexter v. Greenhow*, 114 U. S. 270, 304: "It is undoubtedly true that there may be cases where one part of a statute may be enforced as constitutional and another be declared inoperative and void, because unconstitutional; but these are cases where the parts are so distinctly separable that each can stand alone, and where the court is able to see, and to declare that the intention of the legislature was that the part pronounced valid should be enforceable, even though the other part should fail. To hold otherwise would be to substitute for the law intended by the legislature one they may never have been willing by itself to enact." And again, as stated by the same eminent judge in *Sprague v. Thompson*, 118 U. S. 90, 95, when it was urged that certain illegal exceptions in a section of a statute might be disregarded, but that the rest could stand. The insuperable difficulty with the application of that principle of construction to the present instance is, that by rejecting the exceptions intended by the legislature of Georgia, the statute is made to enact what confessedly the legislature never meant. It confers upon the statute a positive operation beyond the legislative intent, and beyond what anyone can say it would have enacted in view of the illegality of the exceptions."

According to the census the true valuation of real and personal property in the U. S. in 1890 was \$65,037,091,197, of which real estate with improvements thereon made up \$39,544,544,333. Of course from the latter must be deducted in applying these sections, all unproductive property and all property where net yield does not exceed four thousand dollars; but, even with such deductions, it is evident that the income from realty formed a vital part of the scheme for taxation embodied therein. If that be stricken out, and also the income from all invested personal property, bonds, stocks and investments of all kinds, it is obvious that by far the largest part of the anticipated revenue would be eliminated, and this would leave the burden of the tax to be borne by professions, trades, employments, or occupations; and in that way what was intended as a tax on capital would remain in substance a tax on occupations and labor. We cannot believe that such was the intention of Congress. We do not mean to say that an act laying by apportionment a direct tax on all real estate and personal property, or the income thereof, might not also lay excise taxes on business, privileges, employments and vocations. But this is not such an act; and the scheme must be considered as a whole. Being invalid as to the greater part, and falling, as the tax would, if any part were held valid, in a direction which could not have been contemplated except in connection with the taxation

considered as entirety, we are constrained to conclude that the sections 27 to 37 inclusive of the act, which became a law without the signature of the President, August 28, 1894, are wholly inoperative and void.

Our conclusions may, therefore, be summed up as follows:

First—We adhere to the opinion already announced, that, taxes on real estate being indisputably direct taxes, taxes on the rents or income of real estate are equally direct taxes.

Second—We are of the opinion that taxes on personal property, or on the income of personal property, are likewise direct taxes.

Third—The tax imposed by the sections 27 to 37 inclusive of the act of 1894, so far as it falls on the income of real estate and of personal property being a direct tax within the meaning of the Constitution, and, therefore, unconstitutional and void because not apportioned according to representation, all these sections constituting one entire scheme of taxation, are necessarily invalid.

As a result of this decision the Federal Government was prohibited from directly taxing individual incomes derived from real estate, personal property or investments otherwise than by the rule of apportionment. It is interesting to note how much of the property within the States through this decision became subject to the direct tax ruling.

The increasing expenses of government and the growing need for effecting a more equitable distribution of Federal taxes through reaching mercantile and industrial wealth, led President Taft to recommend, in his message to Congress, June 16, 1909, the imposition of an excise tax, measured by 2 per cent on the net income of all corporations and joint stock companies. This was, as the President explained, "to be an excise tax upon the privilege of doing business as an artificial entity and of freedom from a general partnership liability enjoyed by those who own stock." The President cited the following case in explanation: "The decision of the Supreme Court in the case of *Spreckles Sugar Refining Co. vs. McClain* (192 U. S. 197), seems clearly to establish the principle that such a tax as this is an excise tax upon privilege and not a direct tax on property, and is within the federal power without apportionment according to population."

The President was convinced "that a great majority of the people of the country were in favor of vesting the national government with power to levy an income tax." In further justification of this opinion he said, "The decision of the Supreme Court in the income tax cases deprived the national government of a power which, by reason of the previous decisions of the court, it was generally supposed the government had. It was undoubtedly a power the national government ought to have. It might be indispensable to the nation's life in a great crisis. Although I have not considered a

constitutional amendment as necessary to the exercise of certain phases of this power, a mature consideration has satisfied me that an amendment is the only proper course for its establishment to its full extent. I therefore recommend to the Congress that both Houses, by a two-thirds vote, shall propose an amendment to the Constitution conferring the power upon the national government to levy an income tax without apportionment among the States in proportion to population.

"This course is much to be preferred to the one proposed of re-enacting a law once judicially declared unconstitutional. For the Congress to assume that the court will reverse itself, and to enact legislation on such assumption will not strengthen popular confidence in the stability of judicial construction of the Constitution. It is much wiser to accept the decision and remedy the defect by amendment in due and regular course.

"Again, it is clear by the enactment of the proposed law that Congress will not be bringing money into the treasury to meet the present deficiency, but by putting on the Statute Book a law already there and never repealed will simply be suggesting to the executive officers of the government their possible duty to invoke legislation. If the court should maintain its former views, no tax would be collected at all. If it should ultimately reverse itself still no taxes would have been collected after protracted delay.

"It is said the difficulty and delay in securing the approval of three-fourths of the States will de-

stroy all chance of adopting the amendment. Of course, no one can speak with authority upon this point, but I have become convinced that a great majority of the people of this country are in favor of vesting the national government with power to levy an income tax, and that they will secure the adoption of the amendment in the States if proposed to them.

“Second, the decision in the Pollock case left power in the National Government to levy an excise tax which accomplishes the same purpose as a corporation tax and is free from certain objections urged to the proposed income tax measure.”

The Sixteenth Amendment is very clearly an attempt to avoid the necessity of apportioning direct taxes between the States according to their respective populations. The Constitution originally required that, “Representatives and direct taxes shall be apportioned among the several States which may be included within this Union, according to their respective numbers, which shall be determined by adding to the whole number of free persons, including those bound to service for a term of years, and excluding Indians not taxed, three-fifths of all other persons. The actual enumeration shall be made within three years after the first meeting of the Congress of the United States, and within every subsequent term of ten years, in such manner as they shall by law direct. The number of representatives shall not exceed one for every thirty thousand, but each State shall have at least one representative.” (We now have one

representative for every 210,000). "No capitation, or other direct tax shall be levied, unless in proportion to the census or enumeration hereinbefore directed to be taken. No tax or duty shall be laid on articles exported from any State. The Congress shall have the power to lay and collect taxes, duties, imposts and excises; but all duties, imposts and excises shall be uniform throughout the United States."

A comparison of State Sovereignty in 1789 with State Sovereignty today reveals glaring differences of status. Because of the near relationship that formerly existed between wealth and population, State Sovereignty was measurable in terms of property as well as population. Today that coincidence no longer serves as a measure of State Sovereignty. This principle of relationship between wealth and population, between taxation and representation, was written into the Constitution in place of property qualifications and the direct representation of property. Because the coincidence no longer exists, the members of the House of Representatives are no longer conscious that the taxes which they vote must fall without favor upon their own constituents. The opportunity to shift the burden affords an escape from this ruling. Less than seven million income recipients pay any income tax today in the United States. This relieves about 35,000,000 income recipients in the country from this direct responsibility of contributing towards the support of the Federal Government in proportion to their ability.

The close tie that formerly existed between the United States Senate and property no longer exists. This feature of the Constitution was largely forfeited between 1829 and 1840, when suffrage in many States was extended to all adult men regardless of property qualifications. The same movement resulted in the abolition of property qualification for the office holders in many of the State Legislatures. When property ceased to be reflected in the State Legislatures, the protection of the rights of private property ceased to be the special concern of the Senate. The Senate, no longer responsible in a direct way to property for its election to office, was no longer willing to act in concert in defense of property against the inroads which the Lower House might council.

These changes in the structure of the Constitution were so gradual that many lost sight of the direct relationship of property to the Constitution. Because property is essential to the measurement of State Sovereignty it cannot be abolished from the Constitution without the unanimous consent of every State in the Union.

The link between the Senate and property was completely broken when the Senate was made responsible to the people in 1913 through direct election. As in the case of the apportionment clause, the change was accomplished through an amendment to the Constitution. The Senate, formerly responsible to the State Legislature, is today responsible to the people; so that the Upper House as well as the Lower House derives its power from

the people. As a result of this break, with two great principles which served to afford the necessary protection to property and the liberty of the individual, we find that both the rule of uniformity as well as the rule of apportionment is disregarded.

The corporation tax furnishes a very good example of the way the uniformity rule is being evaded. As explained by President Taft in 1909, "The corporation tax is an excise tax upon the privilege of doing business as an artificial entity." One would suppose that under the conditions imposed the tax would be levied on the chartered value of the corporation. Far from this, the tax is laid on the income of the corporation, with a differentiation between a normal tax and a surtax.

The new revenue act of 1924, in many cases, treats the uniformity rule as if it never existed. It distinguishes between earned and unearned incomes. (Earned: wages, salaries, etc. Unearned: investments.) Whereas, the old rates on estate taxes ranged from 1 per cent to 25 per cent, the new rates range from 1 per cent to 40 per cent. Secretary Mellon has pointed out that the total estate tax, "always two taxes and often three or four, may take more than half of a large estate, and cases are possible where *it would take the entire property.*" The estate tax furnishes but a slight portion of the revenues of the Federal Government, but it supplies a large and important part of the State revenues. To destroy values from which the States receive income is to force them

to resort to higher taxes on land. Such a course of action is not only thoroughly unsound but borders on economic suicide."

Because the States are no longer accounted for in the apportionment of direct taxes, 71 per cent of the personal and corporate income and excess profits taxes in 1919 were paid by eight States.

The gradual removal from the Constitution of the two great principles which gave protection to private property and the liberty of the individual (the principle of taxation and representation—the principle of indirect election of Senators) would undoubtedly lead to the abolition of State Sovereignty and local government; to the abolition of private property; to the public ownership of railroads and other key industries, were it not for the provision in the Constitution which requires the unanimous consent of every State in the Union to such action. It is certain that when confronted with the alternative, the States will not knowingly surrender their sovereign right to representation in the Congress of the United States. If the States refuse to agree unanimously to the Sixteenth Amendment, and for that matter to the Seventeenth Amendment, they will be called upon to define their right to equal representation in terms of sovereignty. As is only too apparent, State Sovereignty is no longer a measurable quantity; we cannot define it in terms of property or people. Unless the States can establish their claim on new grounds, they will have to relinquish their sover-

eighty by unanimously agreeing to the Sixteenth Amendment.

Once it is generally understood that the Sixteenth Amendment is unconstitutional, the Federal Government will be deprived of a source of revenue which is today necessary to its very existence. The tax laws are already far too complicated, requiring as they do the administrative departments of the government to construe them. Further litigation would be dangerous. Business cannot long weather a state of uncertainty in regard to the institution of private property. These questions will have to be cleared up through general discussion of the issues involved. A protracted delay of this discussion will of necessity imperil the Union. The choice, therefore, between a dual, a Democratic form of government and an absolute, an autocratic form of government, is the immediate concern of every State in the Union, every citizen of the United States.

We are most fortunate in being able to bring to bear upon the discussion of this issue certain scientific knowledge regarding the industrial development of the past century and its effects. The decrease in natural resources and increase in population during this period determine in a very definite way the limits to national expansion. Wealth and population are no longer factors of progress, capable of unlimited expansion. They are no longer interchangeable quantities. Population is no longer an accurate measure of wealth, nor is wealth an accurate measure of population. In themselves

they are limits which cannot be disregarded, without involving responsibility for war. An overpopulated country cannot conserve its own resources, cannot insure an honest reward for honest effort. The resulting dissatisfaction only too often leads to military or economic war.

Natural resources and population are today two poles of a relationship. The recognition of this relationship in terms of principle, and the substitution of this principle for the principle of coincidence (near relationship between wealth and population) is our great problem of government.

The States of the Union are in a position which prohibits a middle course; prohibits further compromise. With them it is a question of either unanimously agreeing to the Sixteenth Amendment or defending their rights of sovereignty. Their defense cannot be based on an outworn principle, but will necessarily account for this new relationship between natural resources and population. Natural resources alone do not determine wealth. Natural resources associated with human skill, industry and integrity do furnish a measure of wealth which is capable of representation. Income is a measure of this association between natural resources and human beings. It accounts for time and distinguishes between gain and loss. It is dynamic in nature. The defense of the States will rest on their ability to prove that the representation of income in government as a balance to numbers is essential to their preservation, as well

as the preservation of the institution of private property.

Can there be any doubt as to where Abraham Lincoln, George Washington, Alexander Hamilton, James Madison, or Daniel Webster would stand on this issue, were they living?

Throughout the remaining chapters of this book the Sixteenth Amendment is considered as unconstitutional.

### III

## THE ISSUE—THE CONSTITUTION OF THE UNITED STATES

Citizens in the United States and other countries did not generally realize before this war that such a calamity was impending.

There are questions of paramount importance today pressing for settlement; questions of taxation, immigration, commerce, foreign relations. How many citizens realize that the substance of their faith in the Constitution of the United States is in immediate danger? How many citizens realize that the future of the Constitution itself is bound up in the settlement of these questions?

Since the election of 1924, the fear that was then expressed for the Constitution has subsided. The plan of the Third Party to subordinate the judicial branch of this government to the legislative, their plan to gradually substitute public ownership for the institution of private property was only a surface movement. Far below the surface, however, large general causes were and are at work in opposition to the Constitution.

The real danger to the Constitution does not lie in any one party, but in the changes that have already been effected in the fundamental character of that instrument of government. The original basis of representation, fixed upon by the framers of the Constitu-

tion to insure a working relationship between the executive, legislative and judicial branches of the government, no longer exists. The present basis of representation does not insure a divided legislature. As a result, each question is being considered solely with thought for the American people, regardless of the States as political entities. If these questions of taxation, immigration, commerce and foreign relations are settled on this basis, the death knell of the Constitution will have been sounded.

The issue is clear. It is a question of either re-establishing the principle of divided power on a broader basis, or centralizing all government power in a national head.

President Harding, in explaining the importance of the principle of divided power, said, "To do away with the idea of dual sovereignty would amount to demolishing our whole scheme of government." Chief Justice Marshall was optimistic enough to believe that no political dreamer would ever be wild enough to think of breaking down the lines which separate the States, and compounding the American people into one common mass.

If we follow the changes in the Constitution since 1820, we shall see that the State lines *have* been broken down; we shall see that the idea of dual sovereignty is no longer the substance of our faith. Unlimited powers of direct taxation have been granted the Federal Government, powers which nullify the sovereign position of the States in Congress.

This change in the status of the States was not so apparent before the World War, when the expenses

of the Federal Government were below the billion dollar mark. The government was then financed primarily through indirect sources, through customs and miscellaneous internal revenues. Custom receipts in 1914 amounted to \$293,000,000, while income and profit taxes netted only \$71,000,000. (Individual income taxes, \$28,000,000; corporate and excise, \$43,000,000.) Today, direct taxation is the principle source of Federal revenue. Custom receipts in the fiscal year 1924 amounted to about \$546,000,000, and the income and profit taxes to about \$1,843,000,000. The income and profits tax, individual and corporate, comprised 45 per cent of the total.

The ascendancy of direct taxation to a position of first importance in government finance took place during the war period. There was no opportunity then to weigh the importance of this change. Because the question is still being withheld from discussion under the pressure of events, citizens and legislators have become accustomed to overlook the distinctions between the two fields of taxation. This has naturally led to the conclusion that the Constitutional controls over both fields of taxation are intact.

The ruling that "all duties, imposts and excises shall be uniform throughout the United States" still stands. This ruling covers the field of indirect taxation, but not the field of direct taxation. All Constitutional rulings for the apportionment of direct taxes between the citizens of the States have been removed. Due to the fact that no rulings have been substituted, the objects of State revenue are today open to Federal monopoly. Unless this most fundamental power of

government is brought under Constitutional control, it will involve the dissolution of the Union.

This monopoly control of State revenues is unconstitutional, because it impairs the rights of States to equal representation in the Upper House of Congress. This right to equal representation cannot be nullified by Constitutional amendment alone. The nullification requires as well the unanimous consent of all the States.

We are attempting on unconstitutional grounds to reduce direct taxes; to apportion direct taxes. Every step we take in this direction weakens our faith in the Constitution. Any reduction of surtaxes, any change in the distribution of the income tax cannot be made today without weakening the representation of the States in Congress.

The need for an adjustment of tax questions between the Federal and State Governments is imperative. There are less than seven million of the forty-two million income recipients paying any income tax. In 1919 eight States paid over 71 per cent of the income and excess profits taxes, personal and corporate. Direct taxation no longer bears on the citizens as a whole. Because so many citizens fail to feel the hardship of high taxation they are no longer vigilant watchers of public expenditures. In a country like Switzerland, where most of the citizens pay a direct tax and feel it directly, economy in government expenditures is general. "Bills have been frequently thrown out by the votes of those who measure public necessity by the depth of their own purses."

Exemptions, discrimination and a growing waste

of public money will necessarily continue, as long as our Federal Government has unlimited access to the revenue of the States. We cannot expect any further reduction in government expenses as long as the power of direct taxation remains a football of contention. There were bills before Congress at the end of the last session calling for an increase in expenditures of over \$600,000,000. President Coolidge, in his message to Congress December 3, 1924, said: "Anybody can reduce taxes, but it is not so easy to stand in the gap and resist the passage of increasing appropriation bills which would make tax reduction impossible." Secretary Mellon, in his annual report, voiced a similar opinion when he said: "The urgent need is for constant guard against additional undertakings or outlays which might interfere with the orderly program of debt retirements or make additional taxes necessary."

These appropriation bills, if passed, must be financed primarily through an increase in direct taxes. The wider extension of subsidy aid to the States is also, in the first instance, a problem of direct taxation. Federal subsidies to the States amounted in 1914 to \$6,500,000. During the past year the grants totalled over \$100,000,000. Without Constitutional control over this power of direct taxation, neither the President of the United States or the Secretary of the Treasury will be able to resist the flood of appropriation bills. Any permanent economy in Federal or State Governments is out of the question, under the existing circumstances.

The Constitution of the United States rests on the belief that all single governments—whether lodged in

one man, a few men, or the people—are subject to tyranny. A division in our Federal Legislature is essential to the effective functioning of this government. It is our great safeguard against tyranny.

Is it reasonable to expect the States, counties, cities, towns, villages to tax their bond issues as long as the Federal Government has unlimited access to individual incomes within the States? If the States and the citizens of the country re-establish Constitutional control over the power of direct taxation, then there is little doubt but that the States and local subdivisions will be able to reach an agreement with the Federal Government on a reasonable rate of taxation, the same rate to be applied to all issues of government securities. This rate would only give the government a fair chance to compete with stocks offered in the open market. Such a tax would be applied by the Federal Government to its bond issues, and by the States and other political subdivisions to their bond issues.

If the State and local governments were granted the right, by amendment or otherwise, to subject Federal bonds to the same burdens as they imposed on their own bonds, there would always be the problem of redistribution. The proceeds from the taxation of Federal bonds would have to be redistributed between the States and all the other political subdivisions. As the burdens imposed by local governments would vary, the local tax on Federal bonds would be far from easy of calculation.

Under the present conditions the man with a million-dollar income pays almost half of this income to the

government. This is leading individuals with large incomes to invest extensively in tax exempt bonds. Not only is this encouraging extravagance and reckless expenditure by local authorities; but it is encouraging the government to engage in business. Those who do not believe in the institution of private property are only too glad to see more and more people invest their income in government undertakings.

The issue of securities by the States, counties and municipalities was below the \$600,000,000 mark in 1912. Today the securities are being issued at the rate of \$1,000,000,000 a year. The tax exempt securities outstanding today amount to over \$13,000,000,000. The amount of real property exempted from taxation in 1922 was over \$20,000,000,000.

If the States of the Union and the citizens of the country would prevent the complete merger of State sovereignty; if they would preserve local government, they will define a broader basis upon which the ideal of dual sovereignty can be re-established. They will define a rule of apportionment that will further insure Constitutional control of the power of direct taxation. We cannot continue to disown the Union, and at the same time profess a belief in the Constitution.

It is hoped that the following pages will help to explain this new basis for alignment. One could not live for ten years with the knowledge of this impending crisis without struggling to explain the situation in advance. This World War was not generally understood in advance; there was no real alternative. There *is* an alternative in this case. If it is recognized

in time the impending calamity to the Constitution of the United States can and will be prevented.

The preservation of agriculture as a basic industry in this country is bound up in the settlement of these questions. Unless Constitutional control over direct taxation is re-established, this power will be used in combination with the tariff to win monopoly control in the world markets for our manufactured goods. This will mean the further decline of agriculture in this country, and its eventual subordination to this struggle between the great manufacturing nations for control of markets and raw materials.

Unless other nations can be persuaded to set definite limits with us upon government aid, the United States will be compelled, during the next few years, to sacrifice the law of competition to a national plan of control. The adjustment of tax questions between the States and the Federal Government is not alone a domestic problem; it is closely related to the preservation of fair competition in the international field.

This law of competition in the United States is secured through a balanced development of the principal industries of the country. Because it is impracticable to represent each industry directly in the government, the balanced development of the principal industries is sought as a means of insuring fair treatment to all industries. The preservation of this balance has been sought through the use of the tariff. Government aid has been definitely prescribed. As explained by Henry Clay in 1833, "The theory of protection supposes that after a certain time the protected arts will have acquired such strength and perfection as

will enable them subsequently, unaided, to stand against foreign competition."

This use of the tariff as a balance wheel does not account, however, for the modern power of governments to mobilize wealth through direct taxation. We are competing today with nations using the tariff in combination with direct aid. A reduction in our tariff exposes us to a competition that is heavily subsidized.

The United States is in a very peculiar position. If we reduce our tariff European nations, using direct and indirect aid, will undersell us in our home markets. If we attempt to increase perceptibly our foreign trade through the combined use of the tariff and the subsidy, we will stimulate the unlimited use of government aid in Europe. If we invest heavily abroad, European nations will employ through taxation a part of this wealth to carry on the struggle for monopoly control of the world markets for their manufactured goods.

This struggle which is leading to the substitution of the law of monopoly for the law of fair competition is being carried on at the growing expense of the European farmer. If we enter this struggle, we know that the plight of the farmer in this country will not mend. Not only will the farmer be forced to accept a diminishing return on his dollar, but he will witness a steady increase in the importation of cheap food-stuffs from abroad, and a steady increase in the exportation of capital for the development of cheap agriculture abroad.

The intensity of the struggle between the great

manufacturing nations of Europe for monopoly control of world markets has not diminished since the World War. Tariff walls have been increased in height all along the line. The new French tariff proposes a sharp increase in all duties except on food-stuffs. Belgium's schedule is equally high. Because European nations are setting no definite limit on the use of direct or indirect aid, each nation is at a loss to know how far its neighbor will push the manufacturing industry.

In view of the fact that Constitutional limitations on the power of direct taxation have been removed in this country, we are in immediate danger of having this power used in combination with the tariff to meet foreign competition. The adoption of such a foreign trade policy will necessitate the gradual substitution of the law of monopoly within our own borders for the law of competition. Unless this substitution is made we will not be able to compete as a unit against the other great manufacturing nations. The alternative to this law of monopoly is an agreement between the nations of the world on the limits of government aid. These limits will be such as to insure the preservation of the law of fair competition in the world markets.

The decision of the United States on this issue will determine to a large extent our position on the Constitution. If we accept the law of monopoly and compete as a unit, the need for local government and the representation of the States in Congress will have disappeared. Control will have to be centralized in

a national head. We will substitute this control for the law of competition.

In arriving at a decision on this all-important question, the opinions of Jefferson and Webster will be of help. It will be recalled that Thomas Jefferson for years favored legislation that discouraged the mercantile shipping business; then he finally modified his hostility. In 1809 he said, "An equilibrium of agriculture, commerce and manufacturing has certainly become essential to our independence." Daniel Webster believed that the truest American policy was the one which would most usefully employ American capital and American labor and best sustain the whole population. It was a fundamental axiom with him, interwoven with all his opinions, that "the great interests of the country are united and inseparable, that agriculture, commerce and manufactures will prosper together or languish together, and that all legislation was dangerous which proposed to benefit one of these without looking to the consequences which may fall on the others."

The decline of agriculture was general in the great manufacturing nations of the world before this war. The use of direct aid in combination with the tariff was an advantage which agriculture could not overcome, and cannot overcome today. We are simply defying all the evidence of pre-war days, if we think that agriculture can overcome this advantage. Reduced yields of wheat in foreign countries have produced a market in which American farmers are receiving higher prices for a larger crop. There is no surety that the same conditions will exist next year.

We cannot afford to forget that the total debt standing against American farms is in the neighborhood of \$14,000,000,000. We cannot afford to forget that the return on farm capital is much below the average return on other capital. A two per cent return does not provide a margin that invites the needed capital. It does not provide the time for the study of markets; for the application of up-to-date methods. There are exceptions, of course, where farmers with engineering skill, employing machinery and operating on a large scale so as to give steady employment, produce large returns on the investment. But the ability to pay a minimum wage of six dollars a day and allow the efficient employees to share in the income is certainly not common to the farming industry. The principle involved in the corporate control of large farming units is considered at length in chapter X.

Economies in agriculture as in industry depend primarily upon a fair return on the labor and capital invested. Farmers will not rotate crops or sustain the soil fertility, unless there is reasonable surety of a fair reward. The purchase of fertilizer involves an outlay which the farmer who works on a small margin only too often refuses to make. A well-known authority on land conditions in this country, Eugene Davenport, writing in 1922, said: "Nationally speaking we were doing to our soil fertility exactly what we did to our pine forests, only the process is slower and less evident." President Coolidge in his message to Congress, December 3, 1924, said that the estimate of soil exhaustion each year is represented by about 9,000,000 tons and replenishment by 5,450,000 tons. The def-

icit of 3,550,000 represented the impairment of 118,000,000 acres of farm land each year.

There are millions of citizens in this country today who are dependent upon foreign trade for a livelihood. Exportation, once incidental, has become necessary to our very existence. Our balance of trade amounted in 1913 to \$650,000,000; in 1920 to nearly \$3,000,000,000. Before the war the exportation of food-stuffs was on the decline. Today the farmers of this country must find a market for a fifteen per cent surplus. Unless this surplus is sold abroad it will glut the home market and force down domestic prices.

The problem of agriculture is not alone a question of cheap fertilizer, better credit facilities, and improved methods of distribution. The future of agriculture in this country is directly related to the re-establishment of agriculture on a parity with industry in Europe. As long as the great manufacturing nations of Europe refuse to set any limits on government aid to manufacturing, the decline of agriculture will continue. As long as this basic industry continues to decline in Europe it will continue to decline in the United States. The decline here will continue because we will have to mobilize more and more of our wealth to carry on the struggle for monopoly control in the world markets for our manufactured goods. The permanent establishment of agriculture on a parity with industry is a domestic and foreign question. The future of the Constitution of the United States is involved in the settlement of this question.

This issue is every bit as important for us as the winning of the World War. While we could not fore-

tell the approach of the latter, we are clearly in a position to consider an alternative to the dissolution of the Constitution of the United States.

## IV

### TAXATION AND THE COURTS

A general agreement on the fundamental tenets of the Constitution of the United States is essential to a working relationship between the legislative, executive and judicial branches of the government. When the North and the South failed to agree on a fair compensation for the slaves, secession prevented the normal functioning of all branches of the government. The country today is divided on the value of private property as an institution.

Neither Congress, the Chief Executive nor the Supreme Court can alone remedy this fundamental difference of opinion that has arisen over the value of private property. Notwithstanding the fact that the unlimited powers of direct taxation ceded the Federal Government nullify the right of the States to equal representation in Congress, and the status of private property as an institution, the Constitutionality of the Sixteenth Amendment has not been generally challenged. We cannot afford to forget in this critical hour that the right of the States to equal representation in Congress cannot be nullified without the unanimous consent of all the States. As the States have never agreed unanimously to relinquish their measure of control over the power of direct taxation, the Sixteenth Amendment will remain as unconstitutional as seces-

sion, until such time as their control over this power is re-established in Congress or entirely abandoned. It will likewise remain unconstitutional until such time as a rule of apportionment is substituted for the one that was abolished.

The courts of the country are powerless to act on so fundamental an issue, and Congress is paralyzed by the magnitude of the problem. Unlimited powers of direct taxation have been ceded the Federal Government, and as a result property within the States is today open to Federal monopoly. The Federal Government is in a position to increase the income and excess profits taxes to a point which will enable the purchase of the railroads, and at a later date, the purchase of the other key industries. This general power to confiscate individual incomes for public use raises the question as to the permanency of private property as an institution in this country.

The longer the States of the Union and the citizens of the country postpone a decision on the right of the Federal Government to confiscate private property, the more difficult will it be to resist those who are taking advantage of this division in public opinion. On the one side of the question are those who ascribe most of our ills to private property. On the other side are those who believe that, in general, parents take better care of their children than anyone else; that the owners of private property take better care of their interests than the State. Property, they contend, affords a sphere of action which involves the individual in the voluntary assumption of responsibilities for good government. These are responsibilities which

would otherwise not be assumed, or would be prescribed by a bureaucratic head.

Chief Justice Marshall in one of his famous decisions declared that the power to tax involved the power to destroy; and that the power to destroy might defeat and render useless the power to create. The unlimited powers of taxation that have been ceded the Federal Government invalidate today the power of the supreme court; invalidate the power of Congress to protect private property against confiscation. There are great domestic and foreign problems pressing for solution. The valuation of private property as an institution is at a low ebb in many European countries. The depreciation of exchanges and the low level of world trade are contributory causes. Unless we are in general agreement on the value of private property these problems cannot be solved; the basis of agreement will be lacking. Hence the imperative need for reaching a new agreement on a value of property that will be more humane, more enduring, more spiritual than anything we have known in the past.

There are those who still believe that we can continue to get along on an instinctive belief in the Constitution. That day is past. Unless we can arrive at a conscious knowledge of its fundamental philosophy, and see how it is concerned with our daily living and the solution of the great problems confronting us, the spirit of that instrument of government will be lost.

One example will suffice to demonstrate the danger of mistaking the "form for the substance of the Faith." All we need to do is think of the number of

people today who will agree without hesitation that the Constitution is the expression of the will of a numerical majority. There is never a suggestion that human labor and effort, seen in terms of property, is an integral part of the Constitution; never a suggestion that this individual side of human nature was given security through the equal representation of the States in Congress. This majority opinion of a divided legislature is not a conscious part of their reasoning process. The collective welfare of the people as a whole monopolizes our attention and completely excludes the other side. We do not see that the Senate, in order to hold an opinion that differs materially from the Lower House, must possess a distinctive basis of representation; otherwise the two Houses would be moved by the same impulses. As a matter of fact this distinctive basis of representation has been abolished, so that without its conscious revival the substance of the faith will vanish.

This failure to take stock of the changes that have taken place in the character of the Constitution itself comes from an unwillingness to discuss the philosophy of property in relation to that instrument of government. We have become so engrossed in the plan that the movement has eluded our attention.

Due to the discoveries of the past hundred years, together with the expiration of many patents, the public has come into new possessions of incalculable worth. The application of steam and electricity to industry in general, together with an unparalleled division in labor requiring specialization, has resulted in the development of a general surplus which constitutes

a new form of wealth. Controversies over the fairer division of this wealth often involve an entire country and effect the entire world. These controversies, which bring private property more and more into disrepute, are settled on a basis of compromise. We have reached a point in this country where further compromise will destroy the Union. There is a growing demand for arbitration, notwithstanding the failure of arbitration in Australia; notwithstanding the fact that the principle when applied to this problem is completely at odds with our belief in fair competition, completely at odds with our belief in the separation of the judicial, legislative and executive branches of the government.

The arbitration of these great disputes involves the substitution of the opinion of a few individuals for the law of fair competition. Because wages and profits play such a part in prices, the arbitration of these disputes amounts to price-fixing. The courts cannot hope to continue to recognize the law of competition under such circumstances. Instead of the parties to a contract entering freely into an agreement under the laws of competition backed by the courts, the parties enter into a contract determined by a group of men serving on an arbitration board. The courts of law are powerless under these conditions to uphold the law of competition, the law of *fair* competition. Because the parties to a contract, made by an arbitration board, are working out their problems independently of the law of competition, they feel free to call upon this tribunal to revise its judgment on every occasion.

One of the principle functions of our legislative branch of government is the framing of the laws which fix the conditions under which contracts are made. One of the principle functions of the courts is the arbitration of breaches of contract. When the courts or some arbitrational body make the contracts, then they usurp the powers of the legislature and the free will of those who enter into the contract. If this usurpation were to continue, it would involve the complete breakdown of both branches of government.

There is a very prevalent idea today that the function of the courts is the arbitration of every sort of dispute. This conception neglects to account for the legislature as a going branch of government. The science of government, domestic and foreign, is not today primarily a question of disputes and their settlement. Progress rests essentially on an active development of natural resources. This development is carried on through agreements. The legislatures account in their laws for the tenets upon which we agree. The courts arbitrate differences on the grounds defined by the legislature and the limits set by the Constitution. To suggest that the courts are our great refuge against war and violence is to return to that period when there was no legislative branch of government; when war was one of the principle means of livelihood.

This general confusion regarding legislative and judicial functions of government is materially increased by the discussion relative to the substitution of arbitration for war in international relations. International law in the past has been largely judge-made. The citizens of the countries, and the countries as

political entities, as sovereign States, have not been accustomed through the votes of representatives to act on interests held in common. There has been no adequate cause for the election of proper representatives to construct laws abreast of the times.

If international law is to meet present-day requirements the fundamentals of civil law will have to be taken into account. Unless the number of interests held in common outweigh the forces of discord, no lasting basis between nations can exist for the legislative development of law that will be in advance of war. All international law will continue to be judge-made. The mobilization of sufficient public opinion back of international law to warrant the outlawing of war will be impossible. An international court cannot depend upon armed force to enforce contracts, unless international legislation is abreast of judicial verdicts. The creation of an international police force will be delayed until the nations of the world agree more fully on the fundamental interests which they hold in common.

An international legislative and judicial body to function adequately at this time will have to be organically related. If we fail to account for this organic relationship we deny the transformation of the past century. During the nineteenth century the human race evolved into an organism. The relationship between the parts and the whole, between the nations collectively and the parts, is no longer a question of chance. There is an organic relationship there which must be accounted for if the organism is to survive.

We would not expect the human being to live and function without a heart, with both lungs gone, or

with the main arteries of the body severed. Why expect the blood-flow of civilization to continue today if we fail to account for the organic relationship between each nation and the entire organism?

During the past century manufacturing was transformed into a basic world industry. Because the Constitutional limitations upon the powers of direct taxation have been so generally lifted, we know there is no adequate check upon the use of subsidy aid in combination with the tariff. If the nations of the world, where the manufacturing industry is securely established, mobilize an increasing proportion of their wealth through taxation, and use that wealth in combination with the tariff to win markets for their manufactured goods, we know that the blood-flow of civilization will cease.

As long as the income of the individual is subject to Federal confiscation we cannot expect fewer and better laws; the courts and the legislatures necessarily are working at cross purposes. These two branches of government cannot function normally as long as the country is divided on the value of private property as an institution. Unless the results of human labor are adequately represented in government, laws will be made in the interest of the people as a whole regardless of individual liberty, regardless of State sovereignty.

Because our country is divided on the value of private property as an institution, the late Congress was asked to consider 18,000 bills. The increasing number of laws and the involved character of the same deaden our interest. Former Secretary of State

Hughes, in commenting on the number of laws passed by Congress and the State Legislatures, said: "We have in this country the greatest law factory the world has ever known. Forty-eight States and the Federal Government are giving us 175,000 pages of decisions in a single year."

The struggle between the corporations and the labor unions for absolute control of profits is forcing the courts to meet the recurring emergencies through the use of the injunction. So general a use of this power has called forth a bitter protest from labor. The leaders of labor went so far as to advocate in the last election the subordination of the Supreme Court to the legislative will. During the shopmen's strike in 1922 nearly 300 injunction orders were issued.

The permanency of private property as an institution cannot remain much longer in doubt in this country, without shattering confidence in the Constitution itself. The issue is very clear. Unless confidence is re-established, our belief in a divided form of government is doomed. A national, centralized government will be substituted for the Constitution.

## V

### TAXATION AND THE FARMER

The permanent establishment of agriculture on a parity with industry is primarily a question of taxation. The lead which industry has secured over agriculture in this country and many countries abroad is not an aftermath of the World War. An unbalanced relationship between those two industries existed long before the war. It will be recalled that the Second Industrial Conference held in Washington at the instigation of President Harding, saw in the exaggerated development of manufacturing at the cost of agriculture the ultimate dependence of the United States upon imported food.

This general decline of agriculture among the manufacturing nations of the world can be traced to the direct aid which governments are extending to the manufacturing industry, together with the indirect aid of the tariff. This direct aid, in combination with indirect aid, constitutes an advantage which the farmers cannot overcome. If continued, these nations will be compelled to sacrifice agriculture as a basic industry.

During the decade before the war the export of foodstuffs from the United States decreased thirty per cent in value, while the imports increased forty per cent. The exportation of manufactured goods, on the other hand, showed a steady increase. In 1893

the total exportation of manufactured goods aggregated about \$200,000,000, about \$500,000,000 in 1903, over \$1,000,000,000 in 1913, and about \$2,000,000,000 in 1923.

The New England States furnish a striking example of the agricultural plight in a manufacturing center. The Associated Industries of Massachusetts, after a careful survey, explained that the food of the New England wage earners cost from 25 per cent to 40 per cent more than that of the wage earners of the West and the South. That was back in 1910. An investigation in 1915 disclosed the fact that the improved farm lands in New England, during the forty years from 1880 to 1920, decreased from a total area of about 13,000,000 to approximately 6,000,000 acres, a drop of over 53 per cent. At the same time that the acreage was diminished by more than one-half, the number of its food consumers doubled. Improved farm lands in New York State amounted in 1880 to about "60 per cent of the total area of the State. In 1920 they had dropped to 43 per cent."

The decrease in the export of foodstuffs and the increase in imports before the War; the increase in the export of manufactured goods; diminishing returns in agriculture (due to absence of virgin soil, increasing costs of bringing poorer land under cultivation, increasing costs of production, depleted condition of soil in many States of the Union); the movement of the people away from the soil; the increasing difference in the wages paid on the farm

and in industry (1918—Farm, \$590; Factory, \$1,146), all attest to this decline.

Franklin K. Lane, commenting on this condition shortly before his death, said: "The concentration of workers in the great cities of the land is one of the chief reasons for the unprecedented high cost of living prevailing today. Shop and mill workers could produce a considerable part of their own food were factories located in the smaller communities with a view to the welfare as well as the convenience of the workers. More of the people must be producers of food, even in a small way, if the cost of living is to be lowered."

More than a decade ago, James J. Hill pointed out the decline of our agricultural exports and suggested that at no distant time we might be face to face with an agricultural deficit. This decline would undoubtedly have continued had it not been for the War and the demand of our Allies for food.

Notwithstanding this depreciation of the agricultural dollar as compared with the industrial in this country, property taxes as paid by the owners of agricultural land are estimated to have increased \$265,000,000 between 1920 and 1922. This is a large item in the budget of the farmer, when his margin of profit is so small. There were only 804,000 farmers paying an income tax over \$2,000 in 1920, out of a total of 6,460,000 farmers.

The decline of agriculture, so apparent before the War, began in England about 1870 and continued up to the War. According to one authority, about four-fifths of the English people were

rural in 1688; while in 1911 only about two-ninths were rural. The maximum of twenty-three million acres of arable land was reduced by 1914 to nineteen million. According to another authority the land under plough in English was .71 acres per head in 1871; in 1911 it was .36 acres. Before the War, England was importing over 60 per cent of her foodstuffs. During the past year the English farm laborers threatened to strike because they were receiving but 25 shillings per week.

Previous to 1870 Germany had been mainly an agricultural state. Her transformation into a great manufacturing nation followed on the acquisition of the Lorraine country with its wealth of iron ore. This transformation was accompanied by the gradual decline of agriculture. It was reflected in the smaller wages paid on the farm, smaller, that is, in proportion to the wages paid in industry. It was reflected also in the large proportion of women engaged in the occupation; in the seasonal importation of foreign labor, and the decreasing proportion of native German people attracted to the industry.

French agriculture, between 1870 and 1913, suffered less than English agriculture, because a large proportion of the French people continued to till the soil. There were a large number of small land holders in France, and the nation developed its manufacturing at a slower pace, so that a better balance was preserved between agriculture and non-agricultural industries. There was, however, a decline in agricultural capital with a rela-

tively smaller return on the capital invested in that industry.

Due to the fact that the price of bread had increased from 4 cents a pound in 1913 to 12 cents during the past winter, and beef from 17 to 70 cents, the French Ministers of Agriculture made a special appeal to their countrymen to raise more wheat and animals.

Because of this international depreciation of agriculture in the manufacturing nations of the world, the problems of foreign markets for the farmer is not alone a domestic issue. Before the disparity between the high level of prices for manufactured goods as compared with farm products can be overcome permanently, the international situation will have to be remedied. Agriculture cannot otherwise overcome the present advantage accorded manufacturing through direct and indirect aid.

The need of the American farmer for foreign markets has greatly altered since the World War. Our foreign trade before the World War was not sufficient to bring us as a nation into close contact with the trade practices of the world markets. We depended largely upon foreign countries to transport and dispose of our surplus. Less than 10 per cent of our maritime trade was carried in our own ships. We were principally engaged in the development of our home markets.

This status of foreign trade was entirely changed during the World War. From a position of secondary importance it has developed until today it

means the livelihood of millions of our citizens. Our total share of world trade has grown (O. P. Austin) from 9.8 per cent in 1910 to  $10\frac{1}{2}$  per cent in 1913, 14 per cent in 1916,  $17\frac{1}{2}$  per cent in 1920,  $16\frac{1}{2}$  per cent in 1922. We have today a merchant marine capable of carrying a fair proportion of our exports and imports. Our farmers have greatly increased their acreage and equipment, and must dispose of about 15 per cent of their crops abroad. Our manufacturers have increased their capacity, and are prepared to care for a larger trade than before the War. The country is geared to produce a surplus which, unless sold abroad, will glut the home markets, causing widespread unemployment and general suffering.

We emerged from the World War a creditor nation, with over eleven billion dollars of public debts owing us. Four billions of this debt have already been funded. The repayment of the other seven billions will depend largely on the ability of foreign governments to collect it in taxes. The collection of taxes being closely related to the volume of trade, a revival of trade will be to the advantage of debtor and creditor.

The United States holds a unique position in relation to world trade. We are not so completely dependent upon foreign trade as a country like England. In fact, there are many among us who continue to believe that we could cut lose from the world and depend for all time upon our own resources, our own markets. They discount, however, our total dependence upon other countries

for such raw materials as asbestos, rubber, tin ore, flax, silk, jute, shellac, quinine, etc., and our partial dependence upon other countries for certain vegetable oils, tungsten, mica, hides and skins, tobacco, etc. They discount the results that would follow upon millions of people being permanently thrown out of work; they discount the needs that must arise as our resources of oil, coal, etc., dwindle. If we fail to lay the foundation for a fair exchange of goods with the many countries that are in need today, these countries will refuse to reciprocate at a later date when our need is the greater.

Because our national life is not so completely dependent upon foreign trade, we are in a position to weigh the advantages and disadvantages of extreme dependence upon the outside world. We are in a position to council and support principles which set definite limits on the rivalry between nations, principles essential to the preservation of the individual nation in the advance of the whole.

Once the United States is pledged to the general use of subsidy aid in combination with the tariff we will be in the same plight as so many European nations. The question of domestic markets for the farmer will have been subordinated to the question of foreign markets for manufactured goods. We will then be unable to set any limits on government aid to the manufacturing industry for fear of losing our markets at home and abroad to foreign competitors, who will be pressing us to the limit. Not only will we have subordinated domestic to foreign trade, but we will have reduced

agriculture at home to an industry of very secondary importance.

The permanent establishment of agriculture on a parity with industry is impossible in this country, in Japan, or in Europe, as long as the nations of the world refuse to agree on limits to government aid. England, Germany, France, Italy, Japan, etc., are using today a preferential and general tariff in combination with direct taxation for bargaining purposes.

While much is said about the increase in the amount of public revenues devoted to supporting armies and navies, very little is said about the increase in the amount of public revenues being devoted to the carrying on of this great struggle between the manufacturing nations for monopoly control of the world markets. The World War presented the unique picture of the mobilization of entire populations, the mobilization of all the resources of all the different nations, for carrying on the War. The transportation systems, the factories, the machinery used on the farms, did not exist a hundred years ago. This mobilization of entire nations back of the fighting line, extending from the English Channel to the Persian Gulf, would have been impossible a century ago.

Governments today have the same power of mobilizing the energies and resources of a nation through direct and indirect taxation for waging economic war. This economic struggle has not abated in Europe since the War, but rather has increased in bitterness. Tariff walls have been

raised and more wealth has been mobilized through direct taxation, in order to carry on the struggle that was so keen before the War. Unless the nations of the world can agree to set definite limits on government aid, the World War will have been fought in vain. As long as each nation is at a loss to know how far its neighbor will push the manufacturing industry, through direct and indirect aid, a permanent basis of agreement will be lacking.

The introduction of a principle of control into the international field of competition can be accomplished if the nations of the world are willing to relinquish the tariff and depend in the future upon direct aid where required. The stabilization of the manufacturing industry is essential to the establishment of agriculture on a parity with industry in the United States and abroad. As the alternative to the introduction of this principle of control into the international field of competition, there is the unlimited use of direct aid through direct taxation in combination with the tariff. The one way will insure the security of agriculture as a basic industry in this country; the other will insure the further decline of agriculture.

## VI

### RESULT OF TARIFF PROTECTION AND SUBSIDY AID—OVERPOPULATION

The tariff is no longer a protection against the low scale of wages paid abroad. Unless we set about aiding Europe and the rest of the world in meeting the question of overpopulation, we will be forced to import more and more cheap food (result of soil depletion) in order to provide markets for our manufactured goods. This cheap food will give the same stimulus to population growth as it has abroad, and will radically lower the wage scale in this country.

An overpopulated country cannot maintain a high level of wages; the income that would support one family in comfort has to be divided among two or three families. Australia is a good example of a country that refuses to become a party to the tendency to overpopulation. The Labor Unions of Australia are in full accord with the Dominion policy of protecting labor against newcomers, believing that "it is better to have a small population raised to a high level of comfort than a large one on a level not so high." If there is a cake to be divided they say, "Let us be as few as possible when the division comes."

We recently had an example in this country of

the conditions that follow upon overpopulation; only in this case it concerned an industry, and was not a question of the entire country. Due to a 30 per cent overplus of mines and a 30 per cent excess in the number of employees attached to the soft coal industry, the quantity of coal produced has been far in excess of the country's needs. Intermittent employment has resulted in strikes, with coal famines and speculative prices. There is a move now under way to reduce the mines by 2,500, and the surplus miners to 200,000. Through these changes it is hoped that the industry may be stabilized. How much better it would be for the individuals in industry, the citizens of a nation, the people of the world, to secure themselves against the unemployment and low wages brought about by overpopulation.

The low scale of European wages is primarily due to overpopulation. Whereas the wages of European production in 1800 were used to support a large proportion of a population which numbered 180,000,000; the wages in 1916 were used to support a large proportion of a population which numbered 465,000,000.

The population limit has been more than reached in Austria-Hungary, Belgium, Greece, France, Sweden, Holland, Germany, England. Russia is the only country in Europe that can care for more people. Fortunately the United States has not reached the saturation point of population. The number of individuals in this country is not in excess of the resources required to furnish employ-

ment and a high scale of wages. If the United States follows the lead of Europe and continues to develop the manufacturing industry at the growing expense of agriculture as a home industry, it will not be long before this country is overpopulated. The restriction of the number of immigrants admitted to these shores will not stem the tide of population growth.

The importation of cheap food (result of soil depletion) into the great manufacturing nations of the world has given an impetus to population growth that has no parallel in the history of civilization. If we enter into this international struggle for the control of world markets for our manufactured goods, and set no limits to the use of direct and indirect aid to the manufacturing industry, agriculture as a home industry will continue to decline. Our population will react as other populations to excessive production or importation of cheap food. We will increase in numbers without regard for the saturation point of population, without regard for the resources necessary to our support. Overpopulation will then be a cause for our encroaching upon another nation's territory.

The standards of the American wage earner, as well as all American standards, will decline if we accept as inevitable the low wage scale of the European worker. There are economic and political forces which can be brought into play which will gradually lead to a rate of population growth that will be in keeping with the resources available for support. In order to bring these forces into

play so that population growth may be stabilized in this country and throughout the world, the manufacturing industry will have to be stabilized. This cannot be accomplished, however, as long as the tariff is being used in combination with subsidy aid to restrain international trade; to restrain the development of the manufacturing industry as a home industry in those nations favored by geographical position and natural resources.

Large scale production employing many hands was unknown to the world before the introduction of the steam engine. Manufacturing was carried on by individuals who combined a handcraft with agriculture. Agriculture is a basic world industry. Manufacturing has only come to have an interest for the world at large during the past hundred years.

The invention of the steam engine by James Watt, a Welshman, in 1776, was soon followed by the general application of steam to manufacturing. The movement of people away from the soil and their concentration near coal and iron deposits led to the rapid growth of industrial cities. Because the farmer was able to devote more time to farming, and depend to an increasing extent upon the manufacturer for his tools and clothing, and those engaged in manufacturing were able to depend to an increasing extent upon the farmer for food, production increased tremendously.

The surplus for exchange resulting from this specialization and increasing production led in turn to the rapid introduction of steam navigation and

railway transportation. World trade, which amounted to two billion dollars in 1818, reached the astounding figure of fifty billion dollars one hundred years later.

The need of the manufacturing nations for raw materials and markets led to the introduction of farm machinery in countries where corn, wheat, oats and animals could be temporarily raised at a saving. The manufacturing nations of Europe, due to the rapid development of agriculture abroad, became increasingly dependent upon Russia, Australia, South America, United States, Canada, India, Egypt, and Africa for raw materials and food. Due to the importation of farm machinery into many of these countries, new land was brought under cultivation, the returns from old land multiplied and the amount of land tilled per man increased. The surplus of food for home consumption, and in some cases for export, naturally increased.

The excessive importation of this cheap food (result of soil depletion) with cheap raw materials into Europe, in exchange for manufactured goods, led to the decline of agriculture in Europe as a home industry. While Europe is not fitted on account of climate, soil or acreage to grow the total supply of her cereals, or raise the total animals required, there is a limit to the amount of food she can import.

Food is cheap when it is grown without maintaining the soil fertility; when it is grown regardless of the population increase; when it is grown

regardless of the resources available for the support of native populations. Because the food which Europe has been importing so extensively is cheap, the population of Europe has increased from 180,000,000 in 1800 (Levasseur), to 465,000,000 in 1916 (East). Cheap food proved a like stimulus to the population growth in Russia and India during the nineteenth century. The population of Russia increased from 41,000,000 to 112,000,000; the population of India trebled, increasing from 100,000,000 to 300,000,000 during the same period.

When Japan opened her doors to world trade about the middle of the nineteenth century, the population figures assumed a dynamic character. Between 1850 and 1915 the population of Japan increased from about 26,000,000 to over 55,000,000. A rigid feudalism was the agency held responsible for keeping the population of that country down to 26,000,000 for so many years previous to this. Japan is becoming more and more dependent upon food supplied by other countries, and the fate of agriculture in Japan is characteristic of its fate in the great manufacturing nations of Europe.

The growing pressure of population upon the food supply of countries exporting food to Europe is resulting in a steady decline in their surplus. Europe is beginning to see that in the future she must provide a larger proportion of her own food-stuffs or suffer for lack.

As a result of this phenomenal development of the manufacturing industry by a few nations of the world, world trade increased from \$2,000,000,-

000 to \$50,000,000,000 within a single century (1818-1918). Cheap food produced on so vast a scale was a by-product of the industrial development. Cheap food in its turn gave stimulus to unparalleled growth in world population. During the nineteenth century the population of the world more than doubled, increasing from 650,000,000 in 1800 to 1,700,000,000 in 1924.

Thomas Malthus, the English economist, writing in 1789, explained the natural tendency of population to increase faster than the food supply. Henry T. Buckle, the historian, writing about a quarter of a century later, pointed out the stimulating influence which cheap food had on population growth.

The influence of manufacturing, as a basic world industry, had not been sufficiently felt when Malthus wrote to enable him to draw any conclusions on its use as an educational force in controlling population growth. He believed that the preventive check—education—could be substituted for the positive checks that had controlled population growth in the past. Under the head of positive checks he included war, famine, disease, and pestilence. There was evidence in his day of the better educated people in many nations limiting their numbers so as to give their children a better living than the subsistence level provided. Malthus hoped that in time the great body of working people would come to realize that smaller families and higher standards of living were preferable to large families in continual want. He

saw in education the great stimulus to ambition. He realized that in order to gain a comfortable living for the family and satisfy ambition, the size of the family must be limited.

Education alone did not spread fast enough, however, to stem the tide of population growth. A new power had to come into existence, which required for its use the acquisition of education by entire populations. This power will undoubtedly lead nations generally to see the need for relating their rate of population growth to the resources available for their support.

It is the present struggle between the great manufacturing nations of the world to extend their control over raw materials that has aroused a world-wide interest on the part of native populations in the preservation of their own natural resources. This interest in natural resources will prompt the recognition of a saturation point, and a gradual adjustment of the rate of population growth to that limitation.

All the nations of the world, favored by raw materials or geographical position or both, are interested in the promotion of an international competition that will insure a fair opportunity for the development of the manufacturing industry. The entire world is seeking to recover from a war brought on primarily by Germany's attempt to control this new industry, regardless of its development by other nations. Through the mobilization of the wealth of the state behind this industry, and her use of the tariff in drawing upon the

rest of the world for protection and revenue, Germany succeeded in bringing on the War.

Any attempt at this time to monopolize an industry that has grown into world importance, that is today a basic world industry will necessarily destroy the educational value of this power. The opportunity for the nations of the world to enter into an agreement for the solution of the population question will be lost. Under the stress of national competition for the control of this industry, nations will fail to realize the need for relating their rate of population growth to the resources available for their support. The pressure of population will compel wars of aggression.

During the early history of this country when the West was inhabited by Indians, a rapidly increasing population was an aid and a protection to the settlers. The scattered inhabitants found strength in numbers. That day has long passed. We are fast approaching the saturation point of population in this country. Dr. Raymond Pearl predicts 197,000,000 as the maximum population for this country. Unless we can keep well within that figure our standards will necessarily decline.

The problem of population is a world problem. All nations are confronted with the problem of determining the saturation point, and relating their rate of population growth to that point. In order that the citizens of a country may individually answer the question to their own satisfaction, reliable information will necessarily have to be at their disposal. Undoubtedly, public employment bureaus

maintained by the town, the city, the State, with a Federal exchange in Washington, will render a great service in this respect. These bureaus are needed to make an annual survey of employment conditions in order that the number of immigrants admitted may be restricted to the number of jobs that will be open to them. The allocation of immigrants to particular jobs will be greatly facilitated by these bureaus. Our rate of population growth will be an important factor in determining the number of immigrants to be admitted.

The seasonal nature of many occupations can be in part overcome through an exchange of labor. Both the farm and the factory has its dull season. Many farmers would appreciate an opportunity to come into the factory, and many factory workers would appreciate an opportunity to get out into the open and work on a farm during the slack period.

If the population of the world continues to increase at the present rate—12,000,000 a year (East)—the limit of arable land of the world will probably be reached within the next 150 years. Now that the extent of the arable land of the world is seen to have its decided limits, our viewpoint in regard to expansion must necessarily change. Whereas, in the past there seemed to be no limit to national expansion, today the limits are very definitely prescribed by population and available resources. Each nation is bound to consider its population in relation to the resources available for its support, or incur the responsibility for wars of aggression.

We will have to overcome the idea that has been

gaining ground so rapidly since the French Revolution, that man is a political being unrelated to the natural resources of his country. We know from the experience of the past hundred years that there is a vital relationship between the development of natural resources and the growth of population. If we think of man in the abstract, unrelated to his environment, we are bound to reach the same conclusions as Rousseau. He believed in a numerical majority as distinguished from the majority opinion of a divided legislature.

The choice that we are called upon to make at this time is of far-reaching consequence. The choice that the States of the Union are called upon to make at this time is of equal importance.

One hundred years ago the world's trade amounted to \$2,000,000,000. This marked the high-water line of international relations. Within a single century world trade increased to the astounding amount of \$50,000,000,000. From a loosely knit world in 1818 we have grown into a united organism. The mutual relationship between the parts of this organism has become so close that if one of these parts were to break down it would carry with it to destruction the entire structure. The power of regeneration in an animal is in inverse ratio to the degree of specialization which it exemplifies. Among the lower forms of animal life the regeneration of the entire limb is possible, as in the case of the lobster's claw; whereas in the more highly specialized animals, such as man, this power of regeneration is limited. If man loses an arm or a leg it cannot be replaced.

Manufacturing is today a basic world industry. The blood-flow of civilization is dependent upon its equitable development. Failing to receive the necessary stimulus to education from the balanced development of agriculture, manufacturing and commerce, the nations of the world will be prevented from functioning as individual parts of the entire organism. The world's populations, stimulated by a temporary access to cheap food (result of soil depletion), will continue to increase regardless of the resources available for their support. A waste of human life and resources will ensue, and wars of aggression will follow. The decline of the different nations will involve the destruction of the entire organism.

Without doubt this is the turning point in the history of civilization. The progress of man has never been continuous. Spengler tells us that there have been eight civilizations during the six thousand years wherein our knowledge is more than inferential. These are the Chinese, Babylonian, Egyptian, Greco-Roman, Arabian, Maya (in Yucatan and Mexico), and our own Western. Each of these has arisen to a zenith and declined. Through our knowledge of the past and our control of the political and economic forces of today, governments are now in a position to preserve national vitality and insure continuity to our present civilization.

If the United States, the citizens and the States, agree at this time to a foreign policy which involves the use of the tariff, together with the extension of direct aid to private enterprise, then we must accept as inevitable the present struggle between the great

manufacturing nations of the world for monopoly control in the development of this basic world industry. This means that the farmers of this country will be compelled to witness the further decline of their industry, and its complete subordination to this international struggle.

Through relinquishing the tariff, jointly, with the other nations of the world, and depending upon direct aid where required, the government of the United States can help to secure the stability of this new world power. This stability will insure all nations fair access to raw materials. It will insure a general limitation of population growth in keeping with the resources available for the support of each nation. The government will under these conditions be safeguarding the standards of the United States, while helping at the same time to raise the scale of wages throughout the world.

## VII

### LOCAL SELF-GOVERNMENT AND STATE SOVEREIGNTY—OR NATIONAL CONTROL?

The Constitution of the United States registers our belief in local self-government. The representation of the States in our Congress reflects this belief, and gives a Federal, rather than a National character to that legislative body. Unless we preserve the sovereign character of the States in Congress, local self-government in the United States will be gradually subordinated to national interests.

Is there any reason for believing that local self-government in this country is in immediate danger of succumbing to the forces that would nationalize Congress and make it a one-chambered body? After a careful survey of the large general causes that are at work at home and abroad, we cannot help but be impressed by the danger; cannot help realizing that definite steps will have to be taken at this time if local self-government and State sovereignty are to remain integral parts of the Constitution.

When we stop and reflect on the belief, so general today, that the people are the ultimate source of all government authority, we realize the extent of the danger. This belief is completely at odds with the fundamental tenets of the Constitution. The Constitution provides for a divided form of government in

which the individual side of human nature is to be secured through the representation of the States in Congress. The social side of human nature is to be preserved through the representation of the people in the Lower House of Congress. Every amendment to the Constitution, to be valid, must secure the States in their right to equal suffrage in the Senate. Unless the States unanimously relinquish this right, every amendment to the Constitution, whether emanating from the legislature of the States or by conventions, must preserve that right. Our government does not recognize the people as the ultimate source of all power; State sovereignty enters into all our calculations.

This belief in popular sovereignty, so prevalent to-day, was given a great impetus by Rousseau during the French Revolution. He believed that man was an abstract being unrelated to his environment. For him there was no relationship between economics and politics. Because two men were better able to judge what was for the common good than one individual, and three men were still better able to judge than two, he believed in the power of numbers regardless of individual capacity. It is this numerical majority preached by Rousseau which so many citizens of today are anxious to see substituted for the majority opinion of a divided, a two-chambered legislature. Through a divided legislature we account for the liberty of the individual as well as the collective welfare of all the people.

This belief in a single-chambered government representing the people and controlled through a majority vote is by no means local. In almost all the countries

of Europe the belief has been gaining ground. The extension of universal suffrage and the declining power of upper houses of government can be held largely accountable for the spread of this belief. James Bryce, the historian, in his last book said that in England the wage earners had become a majority in nearly every constituency, and that the masses could, if they asserted themselves, control the political situation everywhere in Europe.

A unitary form of government already exists in Great Britain and New Zealand. There is a movement under way in Australia for the unification of the States. The popular House in England predominates, for it determines today the tenure of the executive branch of the government and largely controls the finances. In Canada, the House of Commons holds a position very similar to the popular house in England. It rarely stands in the way of the popular will. The Constitution of Canada reserves to the Dominion Government all the powers not delegated to the provinces, whereas in the United States all powers not delegated to the Federal Government are reserved to the States.

Because of this declining power of the Upper Chambers of government; because of the lagging interest in local self-government, it is becoming more and more difficult to curb government expenditures, local and general. The responsibility for limiting these expenditures today often falls upon one man.

We need, more than at any time in the world's history, the active participation of two Houses of government in fixing the budget. The natural limits for-

merly set by the tariff on government expenditures no longer exist. The governments in many countries are in a position to increase the burden of direct taxation to the point of confiscation. We are at a loss to know how far they will go in using the power of direct taxation in combination with the tariff. At the bottom of the national economic rivalries in Europe is this problem of direct taxation. Local communities are losing their right to a voice in determining national expenditures.

With the apportionment clause of the Constitution removed; with the principle of incidence between wealth and population, between taxation and representation, disregarded; with the restraining influence of the Senate nullified, the power of direct taxation exists in our midst as an independent power, endangering the sovereign position of the States and opening the way to the confiscation of private property through taxation. Local self-government in this country is in immediate danger of succumbing to the forces that would nationalize Congress and make it a one-chambered government.

A belief in the people as the source of all power is winning a lead over a belief in a divided form of government, a two-chambered legislature. Destroy State sovereignty and you break the chain of responsibility that connects the town with the county, the county with the State, and the State with the Nation. The burden of responsibility, instead of being distributed all along the line, is centered more and more in the national head. The extensive control of local affairs by the Central Government in France is found to multiply

the difficulties of budget control. There are just so many more national employees and so many less local authorities that must be reckoned with.

The framers of the Constitution of the United States did not believe that any particular class or group in society should be recognized in the formation of the legislative branch of the government. They would disagree with those individuals today who favor the representation of different producing groups, different interests in government. They would disagree with those who would make a divided form of government impossible through centralizing the ownership of property in the national government. Their aim was rather the recognition of a broader basis of representation, a basis which would include all interests. They sought to accomplish this through the representation of both the individual and the social, the collective side of human nature in government.

The individual side of human nature was recognized through the representation of the States in Congress on the basis of equality. The social side of human nature was recognized through the representation of the people in Congress on the basis of population.

Those citizens who place complete faith in the sovereign will of the people are inclined to believe that local self-government can be dispensed with in the interest of the people as a whole. They do not see the reasons for protecting individual liberty. They do not see that law in this country is obeyed because it is self imposed. They do not see that by doing away with local self-government they will destroy the opportunity of the individual to share in the responsibilities of

government. Appreciation rather than force, in the United States, is the motive back of our participation in the responsibilities of government. And appreciation results from the opportunities afforded the individual to develop his talents and satisfy ambition.

It is true, individual ambition appeared selfish when conditions forced such a proportion of the world's population to live below the subsistence level, and denied them an opportunity to choose a trade or occupation. That day is now long past in many countries. Through the just direction of present-day forces we trust that it will not be very many decades before it will be a thing of the past in most of the countries of the world. The more individuals there are in the world who can see in their trade a life undertaking, the better off we will be.

The State, through corporation laws, through all the laws of contract, helps to determine competition, which in turn largely determines the division of wealth and the liberty of the individual. Unless the differences in productive capacity are duly recognized in this division of wealth, the individual cannot very well conceive of his trade as a life-long undertaking; cannot express that appreciation which means good laws. There is an individual as well as a collective side to government.

The weight of numbers, expressed alone in government, is no true index of the character or status of a people. The individual is an essential factor in any true measurement. There are any number of examples of a people increasing beyond the power of the soil to provide the necessary food. Thus we see where an entire people is responsible for reducing the individual standard of living below the subsistence level.

The growth of large financial and commercial interests engaged in intra-state business has been very disturbing to many who at heart believe in local self-government. It is strange how we persist in our conception of sovereignty as an absolute power. Today we find many citizens who believe that the people are absolute in their rights. They demand that we break down State lines entirely, abolish local self-government and center all power in a single-chambered national legislature.

As a matter of fact, absolute sovereignty of the State or of the people no longer exists in this country. There are innumerable instances today of the State and the Federal Governments acting in the same field. Problems of intra-state trade, of corporation control, of banking, of taxation all involve a double jurisdiction. Many who see the Federal Government engaged in a field that was formerly exclusively reserved to the State, question whether State authority can exist under the circumstances. The original intent of keeping the two fields of taxation distinct, reserving one field to the Federal Government and the other to the State governments, is no longer observed. The Federal and many of the State governments are collecting income taxes from the same individual.

This local and Federal jurisdiction over certain interests, while it may call for greater efficiency in government, does not prevent the two governments from working side by side. At least this activity is essential if local self-government is to remain an integral part of the Constitution. In this emergency we naturally ask what is being done to insure the smooth working

of the two governments under these changed conditions? If the sovereign position of the States in Congress does not adequately reflect the changing conditions within the individual States, this defect will have to be remedied or national control will certainly be substituted for a two-chambered government. Are the citizens of the United States, are the States of the Union willing to dispense with local self-government, with a two-chambered Congress? The Senate must do more than barely justify its existence, or the forces that are working for National control will accomplish its dissolution.

Because the Senate and the House of Representatives are required by changing conditions to actively operate, often in the same field, the Senate will have to take a more vital part in the framing of laws. Instead of the Senate acting primarily as a check on the House of Representatives, the two Houses will in the future have to act as a check on each other. This is true if the individual as well as the people as a whole are to receive due consideration in the framing of the laws of the country. Today the composition of the Senate does not insure essential differences of opinion, does not insure all questions consideration from the two sides. The welfare of the public has become the prime consideration of both houses. The principle of equality no longer holds the Senate together as a unit, in defense of individual liberty. Senators are as willing to increase the burden of direct taxation as the members of the Lower House. The Senate has not explained the pressing need for an apportionment ruling that will insure the fair distribution of the bur-

den of direct taxation between individuals. The Senate remains silent on this issue, notwithstanding the fact that the property of the States is in danger from Federal monopoly.

If the sovereign position of the States is to be preserved in Congress, we will have to distinguish an index that will characterize the striving of the individual. The idea of equality does not sufficiently characterize that striving, and when applied to the State fails to reflect clearly enough the changing conditions within that geographical limit. The idea of equality is an abstract measurement of the ties which today bind the States together. For any index to embrace the strivings of the individual, it will have to be directly connected with the daily occupation of the individual. Occupation distinguishes us more than anything else from the people collectively. Every wage earner knows that in order to maintain continuous effort there must be continuous reward. Corporations are the creations of the State. The State is largely responsible for the laws which insure individual skill and honesty, recognition in corporation control. In order that corporation laws may duly consider those who furnish the capital and those who furnish labor, it is essential that individual liberty be securely represented in government. All laws controlling contracts have an individual side as well as a social side. The State is responsible not only for preserving the sanctity of contracts, but is responsible as well for providing against contracts being made which, instead of securing freedom to all the parties, invite oppression.

Through the use of a fairer index in the measure-

ment of the individual side of human nature, we will secure a basis for representation in the Senate of the United States which will give a dynamic character to that body. The index will of necessity reflect the constant change in individual striving. The Senate will in turn more truly reflect the changing conditions within each State, and be again placed in a position to differ as a unit with the Lower House. Because of this finer division of opinion, all questions will be more carefully considered in relation to the individual side of human nature; in relation to the welfare of the people. The opinion reached, after such deliberation, will be the majority opinion of a divided, a two-chambered legislature. The weight of numbers will not be the sole determining factor. Human initiative, courage, honesty, appreciation, all the qualities that make for self-reliance will serve as a balance to the weight of numbers represented in the Lower House.

Through this more adequate representation of the States in Congress, Congress itself will become more sensitive to the needs of the country, more ready to enact laws abreast of the times. A government that takes human nature in its entirety into account is bound to be more sensitive to changing conditions than a government would be that attempted in a complex society to fairly represent this group and that class, together with the varying interests of the country. The struggle between all these various interests for representation would in time so divide a government that it would become impotent.

When a great body of individuals such as the farmers of the United States suffer because of an un-

fair advantage extended to the manufacturer at home and abroad, not only is the welfare of the people at stake but individual liberty is in danger. There is much more reason for believing that a government framed to protect individual liberty as well as the liberty of the people will sense this double danger and take action, than a government would which was divided by the representation in its councils of conflicting classes, groups and blocs.

During the next four years there are great issues to be met. The stabilization of the manufacturing industry at home and abroad is pressing for settlement. The recognition of a principle in corporation control which will insure the fairer division of the most general form of property, the product of individual skill and labor, cannot be delayed. The Federalization of the power of direct taxation has become essential to a Constitutional control over the finances of the government. There is every reason for believing that the United States will alter its position toward the League of Nations, and that the League of Nations will alter its position towards the United States during the next four years. The problem of relating the rate of population growth to the resources available for support, is a question of national and international importance, requiring the consideration of the United States, Japan and the other nations of the world during this time. The enactment of a restrictive immigration policy that will be duly regardful of the changing conditions within each nation, is essential to any foreign policy that we may support.

All these issues require for their settlement a new

working relationship between the United States Senate and the House of Representatives. Lacking this working relationship, there will result so colossal a failure of government that the enemies of divided power will be in a position to force national control upon the country.

## VIII

### HEREDITY—ENVIRONMENT

The conclusions already reached in this book on the relative importance of heredity and environment are briefly summarized in this chapter, in order that they may serve more effectively as a background to the discussion of *The Function of the Brain*.

When we confine our belief in heredity to the relationship between the individual and his forbears, we discount the time factor that is involved. Man's heritage extends back some fifty thousand years or more. Something like that length of time has passed since the present species of man evolved. Through our forbears we are related to this dim past. When we think in this way of our inheritance, and associate it with the entire human race, we account for the dim past as well as the present. Existing humanity gives a dynamic meaning to heredity.

A static belief in heredity undoubtedly suggested to man's mind the need for an unbounded environment. As a result, environment came to be understood as everything exterior to the individual. These very uncertain and indefinite measurements are largely responsible for the doubt which still exists as to whether the changes produced by heredity are more important than the changes produced by environment and training.

The scientists tell us that, "the old view that men are chiefly the product of environment and training is completely reversed by the recent studies of heredity." This belief is not common knowledge. Were it so the editorial columns in one of our leading papers would not publish the following statement with qualifications: "It is a little surprising that in the perennial discussion of the influence of heredity and environment on character so few people have thought of the adopted child. It has remained for the State Charities Association to run a three years' test on a group of 910 adopted children, and to arrive at the optimistic, if somewhat disturbing conclusion that environment wins hands down. It was found that 80 per cent of these children had come from backgrounds 'predominately bad' and that 77 per cent had made good."

This question of the relative importance of heredity and environment assumes its true proportions when we realize how many of our modern institutions of government, learning, etc., are built on the belief that men are made by their environment and training rather than by heredity. In pointing out the prevalence of this belief Edwin Grant Conklin, in his book, *Heredity and Environment*, says: "Many philosophers of the seventeenth and eighteenth centuries taught that man was the product of environment and education and that all men were born equal and later became unequal through unequal opportunities. Descartes begins his famous *Discourses on Method* with these words:

Good sense is, of all things among men, the most equally distributed. . . . The diversity of our

opinions does not arise from some being endowed with a larger share of Reason than others, but solely from this, that we conduct our thoughts along different ways, and do not fix our attention on the same objects.

“Similar views were expressed by Rousseau and Diderot, and especially by John Locke and Adam Smith. . . . The equality of man has been one of the foundation stones of democracy. Upon this belief in the natural equality of all men were founded systems of theology, education and government which hold the field until this day.”

This belief in the equality of man does not account for the potential powers of population increase. Many countries of the world today are overpopulated. The land areas open to settlement by the surplus population of these countries are very limited. Unless the nations of the world are willing to support economic laws which will gradually insure a rate of population growth in keeping with the resources available for support, wars of extermination are inevitable.

A policy of conservation to be successful must account for differences in ability between individual and individual. We are not born with the same inheritance. No two individuals receive the same impressions throughout life. The conditions under which the work of two individuals is carried on is never the same. Every one of us is confronted with a new set of conditions from day to day. And because every day is new in the history of the world, there is no such thing as equal opportunity; every opportunity is new

in the history of the world. The province of education is to help us throughout life to discover our inheritance and use it to advantage in meeting the new conditions. We inherit today not alone from our forbears; the entire human race is our inheritance. Inheritance is therefore latent ability handed down through the ages and we are trustees of this ability. Individuality measures the use we make of our inheritance in meeting with the new conditions. Inheritance and action determine character.

The general practice of craftsmanship is essential to conservation. A use of the soil, the forests and other resources for present profits (regardless of conservation), prohibits our taking stock of the means whereby civilization is to carry on. Under such circumstances the individual cannot take a whole-hearted interest in his occupation. The incentive to craftsmanship, to the fashioning of something that has a lasting value, is wanting. If conservation is to be general craftsmanship will have to be practiced all along the line.

When a nation is overpopulated, and that part of the surplus which would naturally go into replacement costs is consumed, the opportunities which would lead to the best use of individual talent and the practice of craftsmanship, of conservation, are wanting. A belief in craftsmanship must necessarily under these conditions be sacrificed to a belief in equality of opportunity; a belief in equality of inheritance.

Scientists have been inclined to confine their study of life processes more particularly to animals and plants, in the belief that the laws governing those processes could be more truly discerned there. The

fact that plants and animals developed so rapidly, and were subject to such extensive experimentation opened up a vast field for research and discovery.

Among the most noteworthy of the investigators, who ascribed more influence to the actions of the environment on the organism, were Buffon, Geoffrey Saint Hilaire, etc. The other side of the question was given more weight by Erasmus, Darwin and others. They ascribed more influence to heredity and the internal changes within the organism itself. In 1876, several years after the publication of the *Descent of Man*, Darwin, in passing judgment on his own work, wrote: "In my opinion the greatest error which I have committed, has been not allowing sufficient weight to the direct action of the environment, i. e., food, climate, etc., independently of natural selection."

The phenomenal increase in world population during the past century, together with world-wide changes in environment, have disposed of the earlier objection. The human race and the natural resources of the world are today objects of experimentation with a very personal interest for each and every one of us. Life processes are more accurately revealed in this field than in any other. We can evaluate the relative importance of heredity and environment so closely as to be able to measure the life span of the human race in terms of heredity and environment.

If the nations where the industry of manufacturing is securely established refuse to set any limits on government aid to that industry; if they continue to encourage the waste of soil fertility at home through importing or exporting cheap food (result of shallow

plowing and soil exhaustion), the growing pressure of population will continue. Cheap food will not be the sole stimulus to population increase. We are looking forward to the conservation of life through the abolition of war and the substitution of international legislation and police protection. We are looking forward to the conservation of life through the prevention of famines, through the prevention of disease, through the extension of the life span. Under the stimulus of these influences the small fall in the birth rate that is registered in some countries at this time is of little consequence. According to the estimates of Edward M. East, the current material increase in world population is 12 millions a year. According to G. K. Knibbs the increase is 20 millions a year. A world-wide recognition of economic laws that will gradually insure a rate of population increase in keeping with the natural resources is essential, if each nation is to be relieved of this growing menace.

During the past century manufacturing became a basic world industry. The outlines of the human species, indefinite before that time, became apparent. Humanity emerged into an organism, an organism with a common interest in the conservation of the natural resources of the world. As an organism the proper functioning of the different organs, the different nations, is essential to life itself. The organism of humanity can no more do without its essential members (the nations of the world), than the human being could do without two lungs, the heart or the principal arteries. We have to account today for the effective functioning of each member nation. There is an or-

ganic relationship existing between each nation and the whole organism. The blood-flow of this human organism is conditional upon trade. The amount, the quality, the variety of trade will determine the quality of the life stream that reaches the member nations. If any one nation or group of nations were to maintain monopoly control of a basic world industry at the expense of other member nations, the blood-flow of civilization would be interrupted; the organism of humanity would perish.

Our ability to measure heredity in exact terms, in terms of population; our ability to measure environment in exact terms, in terms of natural resources, enables us to account more truly for the law of their relationship in our institutions. We are in a position to disprove the belief that man is primarily the product of environment and training. We are in a position to disprove the belief that man is primarily the product of heredity. The life span of humanity depends as we have seen upon our ability to maintain a balanced relationship between heredity and environment; between population and natural resources. It is this law of life which disproves the belief that all men are equal by nature. Each one of us is, as it were, a cell in the human organism; we must be organically accounted for. We are interacting each as an individual with a new set of conditions.

The application of this law of life to government, to corporation control, to international relations, is considered in the last three chapters of the book. Before taking up the relation of this law to these more distant

fields, a closer scrutiny of its bearing on the individual would seem pertinent.

### Function of the Brain

If we would appreciate this inheritance of the human race and make it a living heritage, then we will account more fully for the functioning of the human brain. Even in this day and generation we cannot say with certainty what the direct connection is between the mind and the body. A fuller understanding of the function of the brain is essential if the vitality of that organ is to be maintained throughout the life span.

The uncertainty in regard to the chemical changes which accompany thought; the uncertainty in regard to the relationship between our mental states and the molecular movements or nervous matter which contribute to those states, is on a par with the general doubt in the layman's mind regarding the relative importance of heredity and environment.

We know that the human organism (including all humanity) must conserve the resources of the world if the life span of the organism itself is to be indefinitely extended. If we are willing to recognize a material substratum in the one case, why continue to deny the same material substratum to consciousness?

The dead brain has been thoroughly explored. The locations of a number of the more essential brain centers, such as hearing, sight, speech, etc., have been discovered. The function of the brain itself is only partially discerned; it remains obscured.

If we can define the material substratum of con-

sciousness we will be in a position to comprehend the relation of the brain to the body. According to the investigations of the late Sir James Mackenzie, the cells of the body have activities that suggest a resident mentality. If this is true, then memory is stored in the body cells as well as in the brain cells. This memory is conveyed to the brain over nerve fibres. Impressions received by the brain cells are undoubtedly conveyed to the body cells over nerve fibres. Very possibly this nervous energy conveyed over the nerve fibres is a form of electricity. Whatever the nature of this energy, it is comprehensible if we speak of it as feeling, sensation.

When we speak of the brain as the mind, the intellect, we are really thinking of the many centers of sensation that are located there. We would hardly think of confusing the function of a passenger train with the stops along the way. The function of the train is to transport the passengers from the points where they board the train to their respective destinations. And yet we do confuse the activities of the brain in just such a way. The function of the brain is to transport the various sensations from the nerve centers of the brain to an image which is in the process of formation. Through correlating these sensations the brain builds images with the help of the retina. We confuse the nerve centers of the brain, speech, hearing, etc., with the transformation of sensations into the completed image. We confuse the process of synthesis and selection with the completed image.

These images which are fashioned out of sensation vary in design and composition. Through synthesis

and selection the brain varies the images. It is this variety of images which enables one image to be contrasted with another, until the most satisfactory image holds our attention. We call this process of selection reason, intelligence, memory, imagination.

Without doubt "organized speech," peculiar to man, aids the brain greatly in building up with words the mind images. Speech is our most direct means of conveying mind images to other people. So important is speech that we have been influenced to believe that words in themselves constituted thought. Words come so fast in the explanation of images that we are prone to forget that there are such things as images necessary to thought.

Unless we realize the function of the brain we fail to account for a supreme miracle. This power of the brain to build images out of sensations, and pass those images back and forth so as to enable us to select and judge, is a mystery.

When we think of thought as a mechanical process, and fail to grasp the miracle of its inception, we think of man as a machine. When we think of thought as a great picture, we think of the individual as a great artist. Thoughts are then treasures which we hang on the walls of time.

The knowledge of this art which we inherit, this ability to create images similar to the pictures which artists paint, is a wonderful discovery; a discovery that is capable of turning the whole tide of human destiny. We all know how, when asleep, we dream great pictures. These images are undeveloped pictures waiting completion; they measure our creative possibilities.

The artist holds fast to this belief in his creative powers, and with the brush makes the images of his mind live. The composer uses notes instead of the brush. The carpenter, the shipbuilder, the architect, all artisans seek in their particular way to express the images of the mind through their work.

Professor Cizek, of the Vienna School of Arts and Crafts, has classes for children between six and sixteen, in which he allows them to draw as they feel. The results are beyond belief, unless you have seen them for yourself. And he says that any group of normal children has this power to create, if only it can be set free.

When we recognize the function of the brain as the creation of images out of sensation, we account for the material substratum of consciousness. If we will just stop long enough to consider, we will realize that images cannot be created out of air, they require contrast. This contrast is realized through the relationship of humanity to the natural resources of the world. We know that the very life of the human race depends upon our maintaining a balanced relationship between heredity (population) and environment (natural resources). Failing in this task we know that the organs of humanity will cease to function and the organism itself will perish.

We are now in a position to see why the accumulation of a vast number of unrelated facts may prevent the natural functioning of the mind. Unless the images which the brain creates have a related background, the accumulation of facts becomes a mechanical process. The joy of discovery is lost to the artisan.

The high vitality of the brain cannot be maintained throughout life without the joy of discovery.

A material substratum, measurable in terms of natural resources, and helpful to us in envisaging the lasting life of the human race, is certainly not devoid of spiritual values. If the creative instincts of mankind are to be so used as to enable civilization to carry on, then it is imperative that we clearly appreciate the function of the brain, and apply this understanding to the new conditions.

The application of this knowledge to problems of government, corporation control and international relations is considered in the succeeding chapters.

## IX

### REPRESENTATION OF INCOME IN GOVERNMENT

The power of the Federal Government of the United States to tax directly the income of the individual, unrestrained by Constitutional limitations, is a challenge to our system of government. The issue is very clear. It is a question either of Federalizing the power of direct taxation, or agreeing to the substitution of a National for a Federal form of Government. If we are willing to consider the large general causes that are at work, we will see that the issue is no longer remote, but so close at hand that it requires a clear-cut alignment of forces if the Union is to be preserved.

This radical movement is revealed in changes that have already been accomplished. The structure of the United States Senate has been completely altered. The Constitutional restraints on the power of direct taxation have been removed, and no substitution of a broader limitation to the exercise of this power has been made. These changes have nullified the power of the Senate to act as a unit in defense of individual liberty. The welfare of the people is today the first concern of the Senate as well as of the Lower House. This transfer of unlimited powers of direct taxation to the people nullifies the power of the States to secure property within their borders against Federal encroach-

ment; it nullifies the power of the States to require an apportionment of the tax that will insure the individual citizen against discrimination.

When the Constitution was framed it was believed that the operations of the Federal Government would be of such a general character that they would have little interest for the mass of citizens. The question of regulating commerce, coining money, establishing post offices and post roads, declaring war, etc., was in each case a remote question. The State governments, dealing with questions of property and with questions of contract, were thought to be more closely concerned with the daily affairs of the individual citizen.

Intra-State trade, foreign trade, corporation rulings, pensions, banking, taxation, prohibition, maternity regulations, conciliation of labor disputes, transmission and development of electrical power, have all contributed to change the distant relationship between the individual citizen and the central government. The relationship is so close today that many citizens have decided that we have outgrown the need of State lines and local self-government.

In the case of direct taxation these lines have been swept aside. The unlimited access of the Federal Government to objects of State revenue, transfers to the people the power to purchase the railroads and other key industries through the direct taxation of wealth. This power of confiscation endangers the very existence of private property as an institution. The Union cannot continue to hold together with public opinion so divided. Unless we can agree on a broader,

fairer valuation of private property, we are bound to witness its abolition.

The struggle that is going on today between those who work for profits and those who work for wages, continues to undermine individual faith in the institution of private property. Neither party in this struggle sets any concrete limits on its demands. Those who work for profits are extensively organized under corporation laws with limited liabilities. The corporation laws insure to the stockholder through management complete control of the net profits, the income. Those who work for wages are extensively organized under Union rules, which determine output and fix the limits of the wage earners' responsibility to the corporation. The wage earner, through the Union, reserves the right to cease work together with his fellow-wage earners and enforce, through collective action, the demands of the Union.

Because an increase in wages can alone come out of profits, the Labor Union's demand is in so many words a demand for absolute control of the net profits. Thus we have today two great organized groups of society working for the complete control of profits. This struggle cost the wage earners of America something like \$700,000,000 in 1919. It cost American industry something like \$1,000,000,000 that same year. The distrust engendered by this struggle for supremacy is just so much energy withdrawn from the real business of production. There is an untold amount of knowledge and ability among wage earners and profit earners going to waste for lack of a basis of agreement.

Unless corporations can be freed of this strife, strife

which at times involves the entire country, wages will be forced up to a point which will necessitate direct government aid. And this will come through increasing the income tax on wealth. The present lull in the struggle between the wage earners and those who work for profits is only temporary. If this struggle is allowed to continue it will so weaken individual faith in private property as an institution that the people will force the purchase of the railroads and other key industries by the government.

When the Federal Government was primarily dependent upon the tariff and excise taxes for revenue, the possibility of this purchase was out of the question. Now that the people have unlimited control over the power of direct taxation, they are in a position to increase the direct tax burdens sufficiently to enable the government to purchase the railroads and, by degrees, the other key industries.

There is every reason for believing that the people will, if allowed, use the power of direct taxation to subsidize the manufacturers of this country in an attempt to win monopoly control in the world market for their manufactured goods. The struggle between those who work for wages and those who work for profits is largely confined to industry. If the wage earners on the farms were receiving wages commensurate with those paid in industry, there is little doubt that the wage earners on the farms would be widely organized. They would be in a position to force up wages on the farm to a point which would involve, first government aid and then government ownership. The farmers in their struggle to secure the permanent

establishment of agriculture on a parity with industry, cannot stand out against the people, whose first interest today is the manufacturing industry.

We know that the power of direct taxation is being used abroad by the great manufacturing nations, not only to finance in large part the ordinary expenses of government, but to heavily subsidize the manufacturing interests.

There is every reason for believing that the people of this country will gladly agree to use the power of direct taxation in combination with the tariff to meet this national competition for the control of world markets. The people of America, as represented in the Lower House of Congress, give no indication of any peculiar interest in desiring to bring about the stabilization of the manufacturing industry at home or in the international field. It is true, it would be suicidal to remove all tariff protection, while other nations are raising their tariff walls. We are now considering, however, the use of subsidy aid in combination with the tariff. The manufacturers continue to tell us that no matter what the aid and assistance given to manufacturing, no matter how fast that industry develops, agricultural prosperity will follow in its wake. Conditions in Europe belie such a claim. There we have the example of great manufacturing nations using the tariff in combination with direct taxation to win control of world markets for their manufactured goods.

As a result of this national competition for monopoly control, agriculture as a home industry has been declining for the past forty years. Increasing quanti-

ties of cheap food (result of soil depletion) have been imported into Europe, with the result that the population has increased from 180,000,000 in 1800 (Levasseur), to 465,00,00 in 1916 (East). All the countries of Europe, with the exception of Russia, are overpopulated. This overpopulation has been largely cared for through the building up of the manufacturing industry employing many hands. It is this crowding from overpopulation which presses ceaselessly upon government for the unlimited development of the industry, regardless of the effect on agriculture as a home industry, regardless of the resources available for the support of these populations. Overpopulation in any country must eventually result in a declining wage scale and lower standards of living. The increase in profits from an overworked territory can never keep pace with the number of individuals among whom the profits must be divided.

Because Constitutional limits on the power of direct taxation have been abandoned, it is impossible to show how the farmers of this country are secured against its being used to the advantage of the manufacturer. How does the farmer know when those engaged in manufacturing will demand the general use of subsidy aid and the increasing importation of cheap food? Are we willing to follow in the footsteps of Europe and develop manufacturing regardless of the resources available for the support of our growing population? The saturation point of population for this country has been placed by a number of authorities at about 200,000,000. At the present rate of increase, the 114,000,000 of today will reach this limit within a hundred

years. This time will be greatly shortened if we disregard the farmer at home and continue to import more and more cheap food.

The extent to which direct taxation is being used for the support of government is not generally realized in this country. Many of the countries abroad are using this power not only to support government, but as well to support government aid to private enterprise. Through the tariff these nations are drawing upon the world at large for the protection of the manufacturing industry; and through direct taxation they are mobilizing their wealth in the interest of the manufacturing industry.

This use of the tariff in combination with direct taxation constitutes national monopoly in the restraint of trade. It renders fair competition in the international field impossible. Our foreign trade, involving as it does today the livelihood of millions of citizens of the United States, is vitally affected by this national struggle for monopoly control of the world markets for manufactured goods. If this struggle continues and nations refuse to set any limits to their expansion, then this country will be forced to mobilize its wealth through direct taxation for the support of the manufacturing industry. Are the citizens of this country, are the States of the Union, willing to sacrifice agriculture as a basic industry to this competition? That is what it will amount to unless the manufacturing industry is stabilized. Because the power of direct taxation is no longer controlled by Constitutional limitations in this country, there is every reason for believing it will be used in the interest of manufacturing.

The stabilization of the manufacturing industry and its conscious recognition as a basic world industry can be accomplished by the abolition of the tariff and the substitution of direct aid where required. If we, with the other nations of the world, remove the tariff, we will not be exposing this country to unchecked competition. Each nation will be setting definite limits on its right to draw upon the rest of the world for protection and revenue. It will not involve an absolute break with the protective policy, but will allow for a gradual recession from that policy. It will insure national interest in the problem of relating the rate of population growth to the resources available for support.

The abolition of the tariff will result in a limitation of the power of any nation to exploit the undeveloped resources of other nations. A failure on the other hand to abolish the tariff at this time will lead Asiatic nations to use both direct and indirect aid in the promotion of manufacturing as a home industry. Instead of relating their rate of population growth to the resources available for their support, they will disregard the question entirely and attempt to care for their increasing numbers by crowding them into factories. They will use this cheap labor, together with direct and indirect taxation, in competing with the manufacturing nations of the West for world trade.

Unless the stability of this new basic world industry can be realized at this time, civilization will disintegrate. We will have failed to take advantage of the opportunity to give continuity to civilization. The nations of the world have interests in common which are

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in opposition to war. The recognition of these interests will prevent war. Manufacturing has become, within the past hundred years, a basic world industry. As a basic world industry it shares with agriculture the responsibility for the blood-flow of civilization. As a basic world industry competition must encourage the development of the industry by all nations favored by geographical position, inherent ability and natural resources.

Nations have never been organized to preserve the permanency of each in the advance of the whole. The empires of Babylon, Greece, Rome, Spain rose in turn to a zenith and fell. We have been accustomed to think of nations as transitory forms of life. We are now in a position to see, through the recognition of these common interests, how continuity can be given to progress, how human endeavor can be made lasting.

Life has become dynamic in character. The close relationship existing among the citizens within a country; the close relationship existing among the nations of the world, divest civilization of its static character. Life is a relationship which gives promise of sustained effort; of continuity. The need for a more accurate measure of life, a measure which will enable us to determine whether or not we are progressing, did not exist when civilization was only a temporary matter.

We can see from our vantage point of today that there are very definite limits to national expansion. The land available for development is limited. Many of the nations of the world are already overpopulated. Each nation has an individual problem today of re-

lating the rate of its population growth to the resources available for its support. Heretofore we have thought more often in terms of absolute independence; a people was free of its resources. Now that we are required to think of limits to national expansion, we become conscious of the fact that population and natural resources are very closely related. It is this relationship which of necessity we will have to interpret in terms of government.

It is this relationship which leads us to realize that government does not take its form alone from the people. Rather is government the expression of a relationship that holds between a people and their natural resources. If a people is developing those natural resources, the relationship will be dynamic in character. If the resources are going to waste, or are being squandered in their development, or are being developed to the growing disadvantage of the native population, the relationship is necessarily of a static character.

The problem of measuring this development so that we can distinguish between the static and dynamic, is a problem of government. The index to this relationship is individual effort and population growth. Unless the rate of population growth today is related to the resources available for support, individual progress will cease. Man comes into contact with the natural resources of his country through his occupation; through his occupation he helps to determine the waste or conservation of those resources. When a country is overpopulated and the results of production must be so minutely divided that dissatisfaction is general, the

waste of the natural resources is an inevitable consequence. Hence the need for a more adequate index of individual striving. If an individual or a nation is only producing enough to sustain life, sustained effort is impossible. Production above a minimum is the prerequisite of progress, and income is its index. Income is the measure of the individual's relationship to his occupation, and to the natural resources of his country.

Income, unlike wealth, is a dynamic force. It is an annual survey of profits after maintenance charges and replacement charges have been accounted for. Wealth may register loss; income accounts for production above a minimum. It distinguishes between loss and gain. It is what we strive to attain by perfecting ourselves in our trade or occupation. Income, as the measure of individual skill, is the most general form of property in the more developed countries.

Before manufacturing (on a large scale employing steam) opened up new avenues of wealth, most of the wealth of the world was concentrated in land. The tremendous increase in wealth during the past hundred years, primarily due to this cause, has been accompanied by a general improvement in standards of living, and the rise of a large proportion of the people in many countries above the subsistence level. Because these citizens are producing more than they consume they are contributing to the income of the country.

The time has come to recognize this property right in skill. Unless this property right is recognized in law, even as the property right of the individual who invests his savings in stock, the struggle between the wage earning class and those who work for profits will

force government control of private property and eventually government ownership. Those who believe in the absolute power of the people and discount the further need of State lines and local self-government, are in accord with those who believe the struggle between the two classes is inevitable. Government ownership, they say, is simply a means of mitigating this perversity in human nature. Private ownership, they say, simply encourages the further development of a trait which must be suppressed.

The revenue for government purposes was derived largely from land before the advent of manufacturing and its establishment as a basic world industry. When land was not bought and sold readily, the tax was assessed in a rather arbitrary way, either according to the quantity of land or its assumed produce. When the transfer of land became more general, a closer valuation of land was made. Instead of taxing two farmers the same on land that varied in productiveness, the actual yield of the holdings was taken more accurately into account. With the introduction of so many new forms of capital, the need developed for a faculty tax, a tax on different employment at fixed amounts. Through this tax the smiths, brewers, lawyers, manufacturers, mechanics, etc., were reached.

Historians tell us that a limited and crude method of income taxation was known to the Egyptians and the Greeks before the Christian era. An income tax was levied for the first time in England in 1779. This tax distinguished between profits and losses. It appeared to be a fairer index of taxable capacity than the faculty tax. It accounted for a relationship, rather

than for a person or a piece of property. It took the source of income as well as the income recipient into account. While the ordinary expenses, the overhead of a business, was allowed for in the early history of the tax, it was only at a later date that depreciation and other losses were recognized.

Income is the modern index of wealth. It enables us to distinguish between static and dynamic wealth, between property that is being held at a gain and property held at a loss. Before this World War the income tax was used extensively in England, Prussia, Switzerland and France. It had become a great fiscal resource in Germany. Mr. K. Kennan in *Income Taxation* points out that in 1908 some form of the income tax was in use in over fifty countries. He further explains that a federal form of income tax as distinguished from a local form was levied at that time in Austria, Denmark, England, Holland, Hungary, Japan, Norway and Sweden.

England is collecting today from property, income and excess profits taxes over two billion dollars. The income tax in this country has become a principal source of revenue. It is a source of revenue not only for the Federal Government, but for more than thirteen of the States. This tax was used by the Federal Government during the Civil War and for a number of years thereafter. It was held to be unconstitutional by the Supreme Court in 1894. An amendment to the Constitution passed in 1913 granted to the Federal Government the power to tax individual incomes without apportionment among the several States and without regard to any census or enumeration.

This new measure of wealth gives us a fairer index to the development of our natural resources. It serves as well for a measure of a man's relationship to his occupation. Due to the growing scarcity of land and the tremendous increase in world population, each nation has a vital interest in maintaining a balanced relationship between population and natural resources, between population and this common measure of natural resources, income. A failure to work for this balance will prevent the nations of the future from affording their citizens an opportunity to earn a decent living. An opportunity to share in income will undoubtedly prove the great stimulus to individual initiative and conservation required at this time. If population increases beyond the saturation point income is bound to decline. Income is a natural check to numbers, because it represents what numbers can alone secure through their own limitation. This relationship between income and population will enable us to determine the static or dynamic purpose of a nation.

Income is a dynamic form of property because it takes into account overhead. It measures the net return on production, and recognizes the various factors that determine production. Because income measures production above a minimum, it serves to distinguish or will serve to distinguish between those who have a wage interest in production and those who have an income interest in production. The present-day struggle between the corporation and the Labor Union for complete control of profits will destroy our belief in private property as an institution unless it is terminated.

The recognition of the partnership interest in income of the man who produces above a minimum will break down that dividing line between capital and labor.

Income, in the more developed countries, is today the most general form of property. It can be made the great outstanding incentive to individual skill, initiative and integrity. It measures human character, because it defines a positive difference in productive skill between individual and individual. As an index to the individual side of human nature it is dynamic, even as population is a dynamic index to the collective side of human nature.

The recognition of income as the general index to human striving, as the basis of representation of the States in Congress, will give a dynamic character to that chamber. Instead of acting primarily as a check on the will of the people, on the Popular House, the Senate will, under these changed conditions of representation, act positively in all legislation, insuring the presentation of the facts which characterize the individual side of every question. A unit of income as the measure of the number of representatives to which each State in Congress is entitled will insure the difference of opinion essential to all well-considered action.

We only need to think of managing a Federal budget of \$3,000,000,000 to appreciate how all-important it is to have a legislative body keenly alive to the changes affecting individual liberty as well as the liberty of the people. With the tariff abolished, the removal of direct aid to private enterprise will involve a closer con-

sideration of the two sides of each case than was necessary in the past.

The use of equality as the basis of representing small and large States in Congress no longer makes the individual citizen feel that the Senate is protecting something individual to him, something that distinguishes him as a person from the people collectively.

The use of income as a basis of representation of the States in our Congress will insure a very clear-cut distinction in the structure of the two Houses. In order to use income as a basis of representation, it will be necessary to fix upon a unit of income that will offset the unit of population. It will be recalled that the unit of representation in the Lower House of Congress, as prescribed by the Constitution, is one representative for every 30,000 of population. The ratio to be changed every decennial census. The unit today is one representative to every 210,000 of population.

By adding up the income of all the States and dividing the total by the number of representatives accredited to the Lower House, it will be possible to distinguish a unit of income that will offset the unit of 210,000 of population. Each State will be represented in the Senate on the basis of one representative for every unit of income. This will not mean that the total number of representatives from each State will total the same in the two Houses of Congress, because the relationship between income and numbers will not be the same. It will mean, however, that the total number from all the States will be equal in the Senate and in the House of Representatives. This will insure an equally weighted consideration of all questions

from the two sides. Opinion arrived at under these conditions will be the majority opinion of a divided legislature, a two-chambered legislature, as distinguished from the opinion of a numerical majority.

This popular control of direct taxation not only leaves the way open to public confiscation of private property, but it is a long step towards the abolition of the principle of divided power. Were we to accept the further extension of this power; were the States to accept the further extension of this power, together we would agree to the dissolution of the Union.

All the great issues that are pressing for solution: the stabilizing of the manufacturing industry; the stabilizing of population growth; the recognition of skill as a form of property; the immigration issue; the League of Nations—all wait upon the solution of the direct taxation question. Direct taxation is an integral factor in each one of these questions. It is perfectly possible to reduce the question of direct taxation to principles of government, and invoke a Constitutional solution of these problems.

When there are so many problems pressing for settlement which involve the very integrity of the nation, there is a natural inclination to disregard the individual side of the question and take the welfare of the people alone into account. Federal control over this power of direct taxation cannot alone be accomplished through the adequate representation of the States in Congress. It will necessitate as well the recognition of an apportionment ruling which will take the class struggle out of taxation and insure the fair distribution of the direct tax burden between individual and indi-

vidual. This is, however, subject matter for another chapter.

We are in grave danger today of confusing the issue. All these great issues can be met by Constitutional means if the way is made plain. If we fail to distinguish the way, then the people will act independently of the Constitution. Such action, under such circumstances, will involve the breakup of the Union; it will involve the substitution of a National for a Federal Government.

## X

### REPRESENTATION OF INCOME IN CORPORATION CONTROL

The fair representation of the States in Congress on the basis of income, the most general measure of individual occupation, while helping to secure the objects of State revenue against Federal monopoly, will not secure private property entirely against National confiscation. The country cannot continue divided on so fundamental a question as private property. As long as the power of direct taxation remains uncontrolled by a Constitutional rule of apportionment, this uncertainty in regard to private property endangers our entire system of government.

Direct taxation, because of the issues involved, is forcing the revaluation of the institution of private property. When we read the different opinions expressed on private property today, the need for this revaluation is the more apparent. Take, for example, the statement that "Property is a dead, material thing, whether it be a house and lot or a pile of gold dollars or a farm or a railway bond." This statement does not account for that alteration in public opinion which the income tax reveals. The income tax of today, so generally accepted in this country and abroad, makes allowance for the cultivation of land, accounts for general overhead, and recognizes a relationship be-

tween the individual and property that was, generally speaking, unknown to past ages.

The time is past when public opinion is willing to conceive a house or a farm as something dead; something that we can completely separate from human happiness and well-being. The growth of the world's population, the narrowing limits to the supply of available land, set very definite limits to national expansion. Each nation is today confronted with the problem of relating its rate of population growth to the resources available for their support, or incurring the responsibility for war. The use of our resources has become a very human affair, involving as it does the life and death of nations and civilization as a whole. It used to be thought that the feelings and acts of men could not be measured. This waste or conservation of natural resources, bearing as it does on the welfare of this generation and the generations to come, is today a very close measure of human conduct.

Our natural resources, into which human effort is being constantly incorporated, are no more commodities to be wasted than is human life. We often hear it said, particularly by the Labor Union leaders, that human labor is too often treated as a commodity. This valuation, as well as the example already cited, disregards our relationship to natural resources and the power which these natural resources have of sustaining human life. We agree to the enslavement of nature, and disagree on our rights to enslave man. When we waste our natural resources, use up our forests, our water power, the fertility of the soil, we enslave the future generations who are dependent upon these na-

tural resources for a means of livelihood. Were the profit earner and the wage earner to continue to feel this way towards the raw materials with which they work, there would be little hope of conservation, little hope of their treating the natural resources with any greater respect than they treat each other.

In view of the present-day limitations set on national expansion by population and available resources, property as an institution will have to reflect this change and undergo a complete revaluation or suffer extinction. The forces that are moving for the nationalization of private property cannot otherwise be checked.

The great body of wage earners in the more developed countries will have to feel a property interest in the natural resources of these countries if conservation is to become the joint interest of profit earner and wage earner. This contact between the wage earner and the natural resources can be effected through giving to the individual who produces above a minimum, above the overhead costs on his job, an opportunity to share in any income remaining after the wage interests of capital and labor have been met.

It is impossible to continue to tax seven million income recipients at a progressive rate while thirty-five million escape scot free. Those who are paying the burden of the tax will seek new avenues of escape through investing in tax-exempt bonds, etc., until the collection of the tax will become such a complicated matter that the Department in Washington will break down under the strain. Dr. Adams, of Yale, has repeatedly explained that the tax is becoming so compli-

cated and difficult that no government could enforce it. He declares that the Federal Tax Machine is breaking down.

Because there is no rule for the apportionment of the income tax among the citizens of the country (because the tax is confined to a small proportion of the income recipients), the opportunity to shift the burden enables any class, or division, or bloc, to use the weight of this power against an adversary. In 1919 eight States: Pennsylvania, Ohio, New York, New Jersey, Michigan, Massachusetts, Illinois and California, paid over 71 per cent of the income and excess profits tax.

The use of the income tax to equalize wealth has brought the class struggle fairly into politics. It is a power which the wage earners, by the weight of their numbers, can use against the profit earners with disastrous results. Unless the issue between those who work for profits and those who work for wages is taken out of taxation, any fair distribution of the burden is out of the question. Differentiation in this regard has already gone far. The new Revenue Act of 1924 differentiates between earned and unearned incomes.

The very fact that we are bound in the near future to the abolition of the tariff, together with the other nations of the world, increases tremendously the importance of the question of direct taxation. Direct taxation, as the principle means of extending aid where required, will insure a position to this form of taxation unknown to past history. Under these conditions our Constitution, without a rule for the apportionment of the income tax between the citizens of the country, would be like a vessel without a rudder in a heavy gale.

It is a question of either constructing a rudder to fit the ship, so that we can be prepared to meet the gales of the future, or sinking with the ship.

If the wage earner who produces above a minimum is given an opportunity to share in income, and his skill is given this legal, this property value, then the problem of the division of wealth will have been taken out of taxation. The fairer division of wealth will be accomplished at the source; the need for redistribution through taxation will no longer exist. In this change we discover the rule for the fair apportionment of direct taxation, a rule to take the place of the apportionment ruling that was abolished during the Taft administration. Because the necessary provision will have been made for the fairer division of wealth at its source, it will be possible to tax each dollar the same whether it belongs to the rich man or the poorer man. Because the number of income recipients will be so generally increased, it will also be possible to widen the field so as to include a large proportion of the 42,000,000 income recipients.

The wage earners of the United States would never agree to these changes; they would never agree to this necessary assumption of responsibility for good government, unless adequate provision were made for the recognition of individual merit.

The corporation charters, which are public grants, largely determine with us the basis upon which individual capacity shall be rewarded. A large part of the property in this country and in the more developed countries abroad, is held under this chartered control. Individual ownership and partnership ownership can-

not escape the influence of so much wealth concentrated in corporations. If the employees and stockholders of these corporations are unable to agree on a division of the profits, a division which will insure reasonable peace and security to their property in general, then all property must come under this spell of uncertainty. If, on the other hand, corporation control provided a satisfactory basis for agreement between those who work for wages and those who work for profits, all property owners would take cognizance of such a state in order the better to preserve their interests.

The modern State continues, as in the time of Blackstone, to look upon the officers of the corporation as trustees of the organization's affairs for the benefit of the incorporators. The stockholders, through management, continue to maintain absolute control of the profits. Because the Labor Unions of today set no definite limits on their demands, they in substance demand the same absolute right to control profits.

We cannot afford to discount the changes in production wrought during the past hundred years by the innumerable inventions of this period. Production has increased tremendously all along the line. World trade increased from two to fifty billion dollars. Many of these inventions have become the property of the general public. The question arises whether the general public is reaping a fair measure of the reward of increased production. Whereas labor, in the earlier days of manufacturing before steam came into general use, owned the tools of production, those tools are

owned today by the corporation. Notwithstanding the fact that the great body of wage earners has an inherited interest in the tools of production, and through their skill are generally contributing to income, to production above overhead, the State continues to recognize the absolute right of the stockholders to a complete control of the profits. The State is today attempting to reconcile corporate control of profits with Labor Union control of profits. These two absolute interests are no more reconcilable than freedom and slavery.

Today millions of individuals in this country provide the money for financing industrial corporations. Savings bank investments, insurance policies, the fact that 65,000,000 persons subscribed to the five Liberty Loans, all attest to a close relationship between the corporation of today and the small investor. The United States Steel Corporation furnishes a good example of this trustee control. There were fifteen directors in 1918 acting as trustees for 152,884 stockholders. Of all these stockholders, 38,206 were employees. Many of the 230,000 employees who held no stock but were in part contributors to income, were given no protection of their interests in the government of the corporation.

If this problem of distribution is to be permanently solved outside the question of taxation, then the time is at hand for the State and Federal Governments to recognize through corporation laws the property interest which each wage earner producing above a minimum has in the earnings of the corporation. The recognition of this property interest will insure self-

government, whereas a failure to accord this recognition will involve national control and ownership.

This fairer division of income at its source will enable the government to do away with the progressive tax on incomes, and tax each dollar the same. Because there will be so many more income recipients, the government will be able to extend the field of direct taxation so as to include the great body of income recipients. This simplification of tax procedure, this extension of the field of direct taxation, will serve as a rule for apportioning the direct tax burden of the Federal Government among the citizens of the country. It will serve as a substitute rule for the apportionment clause in the Constitution that was discarded during the Taft administration.

The representation of this property interest of skill in the control of the corporation, will necessitate the establishment of a new relationship between the individual employee and the corporation. In the past it has been generally understood that the stockholders were entitled to all the profits. Under this new valuation of property, the net profits would in part belong to those who, through their industry, were contributing to income. In order to fairly determine the division of income a basis of representation will be required, which will take the collective and individual sides of human nature into account. The indices to these two sides of human nature are the same in the government of the corporation as in the government of the State. If the expenditures of local and Federal governments are to be fairly made, individual capacity must be kept separate and distinct from collective capacity. We can-

not afford to forget the individual in the progress of the whole. We cannot, in fact, determine whether a people collectively is progressing or retrogressing unless we account for individual capacity. Efficient control in both cases involves an accurate measure of changing conditions. If we lack this measure we lack the necessary foundation upon which adequate laws must rest.

This national problem of relating the rate of population growth to the resources available for their support is the corporation problem of maintaining a balanced relationship between the number of people employed and the income. The project of Premier Mussolini of Italy for fiscal reform, illustrates in a way this close relationship between income and numbers. The Premier proposed that a specific amount be appropriated by the Chamber for the operation of each department of government. If the amount for a department were fixed at 200,000 francs monthly, the employees of the department were left to judge whether 200 clerks at a salary of 1,000 francs each should be retained, or 100 clerks with a salary of 2,000 francs each. Efficiency was the end and aim of the Premier. What part, if any, the employees of a department had in determining this apportionment is a question. It serves, however, to illustrate a problem that is of first importance in every corporation. Unless it is made a departmental problem as well as a problem of management, it will continue unsolved.

In the case of the corporation we have capital resources used to purchase buildings, equipment, etc., and working capital used to purchase raw materials and pay

for superintendence and wages, etc. These assets are, in so many words, the natural resources to be worked up into the finished product. If the machinery is damaged through lack of care, if a loss is incurred through the employment of too many or too few men, through a waste of raw materials in the process of transformation, through an excessive overhead in the sales department, the income of the corporation must be smaller. If the conservation of all these resources is to become an interest of first importance to the great body of wage earners, they will have to know that they have a property interest in production.

The conservation of the natural resources of the United States is primarily a problem of effort and reward going hand in hand. To insure proper protection to individual initiative and effort is every bit as important as insuring proper protection to the people collectively. This protection is essential if each individual is to be insured a fair opportunity to make use of his gifts. As long as the stockholders through management are given complete control over profits, and the Labor Unions retain the right to cease work collectively, the question of profits cannot be permanently settled. The struggle between these two forces, between the Labor Unions and the corporations, naturally results in the cost of higher wages and larger profits being passed on to the consumer. When the consumer rebels government aid and assistance is first suggested; then government ownership is proposed.

When you recognize the property right which each wage earner has in his skill; recognize the right of every individual who produces above a minimum to

share in income, you set aside the absolute barrier which divides the corporations and the Labor Unions. You accord to every man in a corporation an individual place. In order that an accurate measure of each individual's work may be on file (management as well as employee), a careful cost accounting system is essential. Without this index to individual effort there would be no way of determining the relationship between each individual's work and the total income.

The wage earner, insured of a reward commensurate with the effort he puts forth, will no longer be compelled to waste his energy in forcing demands from management. Management, in turn, will no longer be compelled to waste its energy in shouldering alone the responsibility for production. This responsibility will be delegated all along the line. Equipment capital and circulating capital, instead of being entitled by law to all the profits, will only be entitled to a proportionate share of the income. An initial agreement will, under these circumstances, be required between the corporation and each employee. This agreement will specify what constitutes the wage interest of capital in the particular corporation. This wage interest will naturally include a nominal rate of interest, depreciation and replacement charges, and taxes. The wage interest of management and all other employees will be a market wage. The first charge against profits will be these overhead expenses. If there is any income remaining after these expenses have been met, it will be divided between those whose money is invested in the corporation and those who, by consistently producing above a minimum, have contributed to income.

In order to determine the relative value of each individual's contribution to the finished product, it will be necessary to recognize a principle of control which will account for each individual, whether a stockholder, a manager or an employee. No individual, no group, no bloc, should be in a position to wield absolute power. In order to insure a division of power that will fairly secure all interests, it will be necessary, as in government organization, to take the two sides of human nature into account. Through a division of power on these lines we will insure the fairest representation of conditions within the corporation at all times.

This recognition of local self-government in corporation control will involve the use of the department as a unit of organization. The index to individual and collective interests will be income and numbers. Those indices represented in the control of the corporation will insure to each department, and to each individual in the department, a fair representation of the department's interests. The stockholders' department will be represented on the same basis.

Every individual in a department will have a certain overhead attached to his job. The overhead will include a proportional share of the equipment costs and working capital. Each job will thus be made an individual job. Before the individual can earn any profits on these investment charges, he will have to produce more than a minimum.

The total production above a minimum will fix the total number of representatives to which each department will be entitled in the Upper Branch of control. The representation of the number of employees en-

gaged in each department will serve as the index to the collective interests of each department in the Lower Branch of control.

There are any number of systems in use today which enable a daily record to be kept of each man's work. By means of such a record, each individual will be in a position to know for himself whether he is producing above or below a minimum. Each department will likewise be in a position to determine approximately the value of its contribution to the finished product. This will completely change the relationship of each man to his job. As it is today, a man gets four dollars for work which, as far as he can see, nets the corporation fifty dollars. Only too often he has the idea that the forty-six dollars is clear profit. If he realized the overhead on his job, realized how much of the forty-six dollars went toward equipment, toward meeting the expenses on the selling end, toward insurance, etc., he would be perfectly willing to set definite limits on his demands. Such a graphic representation of the job will enable each man to feel his partnership interest in the corporation.

The advantages of such a partnership interest are innumerable. It will for one thing eliminate the dangers of overwork induced by the piecework system. It will involve a lifetime interest in production, rather than an attempt to work to the limit in order to provide for a long period of old age. The government of the corporation, when the organization is securely established, will be able to insure each employee against dismissal unless he himself is the responsible party. Such assurance of tenure of employment will be a

godsend to the wage earner. These are several of the benefits that will follow upon the recognition of a lasting basis of agreement between the corporation and the employee. The increase in production resulting from the full use of the knowledge of the employee and the management will prove an item of no small importance.

If government recognizes this property right in skill, then the individual will necessarily have to relinquish his right to collectively cease work with his fellow-employees. He will have to show his good faith by signing a contract with the corporation which neither party can break without suffering court action. When the State recognizes this property right in skill, then the State through the courts will be able to determine breaches of contract with fairness to all parties. As it is today, the courts are being compelled to arbitrate differences between parties bound by no lasting contract. One of the parties contends that under Labor rulings, individuals have a right to cease work collectively when in their judgment conditions warrant. These conditions are so general, involving as they do the entire question of absolute control of profits, that the courts are forced continually to go beyond their jurisdiction. Not only are the courts arguing out breaches of contract, but they are making contracts as well. Because these contracts are artificial and have no lasting quality, they undermine the power of the courts and will eventually destroy their power unless the tide is turned.

The ability of the corporation to compete in the foreign and domestic markets of tomorrow will be con-

ditioned by individual willingness to aid and assist in building up the business. If each individual knows that he is insured through corporation control of a fair reward for the effort he expends, then the individual will be willing to impose limits upon his demands, and relinquish his rights to absolute control over profits. This is a conclusion we are justified in drawing from experience common to people all about us. The baseball nine does not begrudge the captain leadership. Each member of the nine is able to judge the benefits that must accrue from electing a certain individual captain. The same law of human nature is bound to work out in the same way in corporation control. If the wage earner can see that he has a common interest in production with those who furnish the capital, and at the same time knows that his power of control in the corporation is conditioned by his ability, he will willingly assist in electing the best men to leadership.

In view of the present-day limits to natural resources, conservation spells the national policy of the future. Unless the individual employee assists in conserving the resources of his country through his interest in his job, a policy of conservation will be out of the question. A balanced relationship between income and numbers is essential to quality as well as quantity of production. If there is one too many or one too few employed in a department, on a machine, the corporation suffers a loss. This nice balance between income and numbers can only be secured when each individual feels a personal interest in the results of production.

Because income is something which numbers can

alone secure through their own limitation, income is a natural balance to numbers. The use of income as a balance to numbers is impossible in the initial stages of a corporation's growth. Some years must necessarily pass, under ordinary conditions, before the production of income can be general. Many employees will not be able to qualify at first as voters because they will not have been with the corporation for a year or some other fixed time. Until such time as a department contributes to income, it will be disqualified from voting for representatives in the Upper Branch of control. As the total number of representatives in both branches of control are equal, the power of election in the Upper Branch will rest with the Stockholders' Department until such time as the different departments qualify. The power of election in the Lower Branch rests with the Stockholders' Department and the Managerial Department until such time as the other departments qualify. As the departments qualify, a unit of income and a unit of numbers entitles a department to one representative in the Upper Branch and one representative in the Lower Branch of control. The total number of representatives in the Upper Branch, which will in the first place be accredited to the Stockholders' Department, will, as time goes on, be divided between the different departments in proportion to the units of income which each represents.

This recognition of the property right which each individual has in his own skill will break down the dividing line between capital and labor. All those who produce above a minimum, whether stockholders, or employees in one of the other departments, will have

their property interest protected in the Upper Branch of control. Every member of the corporation who has been an employee for a specific length of time will be entitled to vote for the representation of his department in the Lower Branch of control. The old alignment of capital and labor will no longer exist.

It is the general practice today in giving labor any representation in the control of corporations, to continue to recognize the old alignment. On the one side you will have capital represented, and on the other side you will have labor. Under the new conditions a manufacturing corporation will be divided into a Stockholders' Department, an Administration Department, a Sales Department, and Producing Departments. The corporation will be governed through the representation of each one of these departments in an Upper and Lower Branch of control, instead of originating with the stockholders alone.

Anyone owning stock in the corporation will be a member of the Stockholders' Department. All the heads of the different departments, together with their assistants, will be members of the Administration Department. Those employed in the Sales Department will be members of that branch, and so on throughout.

As corporations are organized today authority originates with the stockholders. The stockholders delegate authority to the directors, who delegate authority to management. Management in turn delegates authority to department heads. Under the principle of divided control authority will originate with the employee and the stockholder through the different departments. This authority will be delegated to a governing body,

which will reach its conclusion through the majority vote of a divided, a two-chambered legislature.

The President will in the first instance be elected by the Upper Branch of control. When all the departments are represented in the Upper Branch of control he will be elected by popular vote of both Houses. He will act under the rules and regulations governing the veto power of his office. A system of judicial procedure will insure justice under the Constitution of the Corporation.

The wage interest of management, employee and stockholder will be fixed by the two branches of control. Those two branches of control will have a periodical investigation made outside the corporation, in order to determine the market wage for the different classes of work. Using this wage scale in combination with investment and operating costs, they will determine the overhead of every department. Department officials will in turn determine the overhead on each individual job within the department. Through this means the distribution of investment will be known to employees and stockholders.

The division of income will be effected according to the weight of representation accredited to a department in the Upper Branch of control. As income can alone be secured by numbers through their own limitation, the end and aim of each department will be the maintenance of a balanced relationship between income and the number of individuals employed. It will be to the interest of every employee to keep down the numbers to a point which will insure quality and quantity of production. While quality of production

depends largely upon the individual, quantity of production depends largely upon collective effort. Because each individual will feel under these corporate rulings that his interests are fairly protected, he will be willing to give a certain proportion of his time and energy to the government of the corporation, to the government of the State. Each individual through his job will be in a position to enjoy his labor and conserve the raw materials he handles. He will be in a position to complete his relationship to his country and the world at large.

The issue is very clear. Unless this Constitutional control of direct taxation can be secured through our coming to an agreement on this new value of property as an institution, the forces of unrest will destroy the Constitution. Private property cannot longer continue in danger of Federal confiscation.

## XI

### BASIS OF AGREEMENT BETWEEN JAPAN AND THE UNITED STATES

A very keen sense of regret is felt by many Americans over the abrupt cancellation of the "Gentlemen's Agreement" between Japan and the United States. There is no doubt that Japan sought in every way to reach an amicable settlement of the question through the usual diplomatic procedure. Her position is very clearly explained in a letter from Ambassador Hanihara to our Secretary of State Charles E. Hughes. In the letter he says: "I may add, in this connection, that if the proposition were whether it would not be desirable to amend or modify some of the terms of the Agreement, the question would be different, and I personally believe that my Government would not be unwilling to discuss the matter with your Government, if such were its wishes."

This and other offers on the part of the Japanese Government to amend or modify the Gentlemen's Agreement, did not receive the consideration that so many American citizens believe was due.

The Gentlemen's Agreement was not a treaty, but an agreement between our Department of State and the Japanese Government. The agreement was made in 1907, when Japan voluntarily

undertook to regulate the immigration of her citizens to this country. All laborers were to be prevented from immigrating except "former residents, parents, wives or children of residents, settled agriculturists."

Due to the increasing number of Japanese that entered this country between 1891 and 1907, an insistent demand was made for the inclusion of the Japanese under the Chinese Exclusion Laws. The concentration of Japanese in some of the western States was resulting in public protests and the proposal of exclusion bills. This agitation led Japan to prohibit, for the time, the emigration of her nationals. This did not, however, effectually stem the tide. As a result, Theodore Roosevelt, who was then President, found it necessary to reach a more definite agreement with Japan. He was of the opinion that such an agreement was necessary if racial strife were at some future time to be prevented. He questioned the assimilation of Japanese people. The agreement finally contracted between the Japanese Government and our State Department was known as the Gentlemen's Agreement.

The opinion is very generally held in this country that Japan showed good faith in carrying out the conditions of the agreement. The net increase in immigration to the continental United States between 1908 and 1924 amounted to about 11,000. These figures do not include, of course, the Japanese wives and children that were omitted under the terms of the agreement during the same period.

The net increase in women immigrants was about 36,000; in children about 15,000. According to the census report of 1920 the foreign and native born Japanese in this country totaled 111,010.

The Gentlemen's Agreement did not prevent the concentration of Japanese in the western States and, more particularly, in California. As a result of this concentration the 1920 census figures disclosed the fact that there were 71,952 living in the State of California alone. Thus we were led to see that more than half of the entire Japanese population was concentrated in one State of the Union, a State numbering in all only about three million inhabitants. It is estimated that the yearly increase to that State at the present time through the number of children born of Japanese parents is "approximately 5,000."

This unusual concentration of Japanese in some of the western States, accounts primarily for the haste in legislation which so abruptly ended the Gentlemen's Agreement. This question was given very little consideration by either the Japanese or United States Governments. It is a domestic question very familiar to Japan. As explained by our Secretary of State, "The Japanese Government has not failed to exercise its own discretion in the admission of aliens and the conditions and location of their settlement within its borders." We are told by Sidney L. Gulick that Japan "prohibits certain classes of laborers from working in the 'interior,' save upon specific permission granted by local governors to Japanese employers." Japan

should certainly be tolerant of the fact that we have no laws comparable in this respect to her own. If we had had an immigration law in force which required each immigrant to define his occupation, and had been able to distribute them widely over the country according to the needs of the different localities, this concentration of Japanese citizens would have been, in part, at least, obviated. Of course, as explained by the Japanese Ambassador M. Hanihara, "The process of assimilation can thrive only in a genial atmosphere of just and equitable treatment." If the citizens of any particular country feel that they are individually discriminated against, they naturally congregate together for self-protection. Everything conspired in bringing about this concentration of Japanese citizens. The competition which the Japanese caused, especially in agricultural enterprises, aroused ill feeling among the natives of these western States. This was the ill will which Roosevelt had hoped to prevent by the Gentlemen's Agreement.

As a result of this racial strife, many States passed laws which deprived the Japanese of their earlier right to own and control property. These State laws were contested and a number of important cases were carried through to the Supreme Court. On the grounds that naturalization in this country is limited to "free white persons and to aliens of African nationality and to persons of African descent," the Supreme Court upheld many of the State laws which discriminated against

aliens. In the Ozawa case, decided in 1922, a Japanese with a twenty-year residence here and in Hawaii applied to be admitted as a citizen of the United States. He was denied the privilege of naturalization on the grounds that he did not come within the description of a "free white person," a Caucasian. In the Nakataska case, decided in 1923, Frank Terrace and Elizabeth Terrace were denied the right to lease land for five years to a Japanese who was not a citizen of the United States. The Constitution of Washington prohibits the ownership of land "by aliens other than those who, in good faith, have declared intention to become citizens of the United States." Other aliens of the State are allowed to purchase or lease land. A similar decision regarding the right of a State to prohibit certain aliens from making crop-contracts, was upheld by the Supreme Court that same year. As a result of these decisions nearly 400,000 acres of land controlled by Japanese through contracts or leases are being given up.

The passage in 1924 of the immigration bill abrogating the Gentlemen's Agreement and excluding all aliens not eligible for citizenship, added to the resentment already felt on account of the Supreme Court decisions. Japan cannot reconcile this status of an undesirable with her position in The League of Nations; with her partnership in the Four Power Treaty. She naturally contrasts the abrupt abrogation of the Gentlemen's Agreement with the treatment accorded her by Canada, Australia and

New Zealand. Through agreement or diction test those nations have signified their good will toward Japan.

The Immigration Act of 1924 was largely responsible for the Japanese Message of Protest of May 31, 1924. In answering this Protest, Secretary of State Charles E. Hughes laid particular emphasis upon one point: "The point of substantial difference between the existing arrangement and the provision of the Immigration Act is that the latter has expressed, as the President has stated, 'the determination of the Congress to exercise its prerogative in defining by legislation the control of immigration instead of leaving it to international agreements'." In an earlier letter preceding the passage of the Act, the Secretary in writing to Mr. Johnson commented upon the resentment that would be felt by the Japanese people were a policy of statutory exclusion adopted. He said: "The Japanese are a sensitive people, and unquestionably would regard such a legislative enactment as fixing a stigma upon them. I regret to be compelled to say that I believe such legislative action would largely undo the work of the Washington Conference on Limitation of Armament, which so greatly improved our relations with Japan. The manifestation of American interest and generosity in providing relief for the sufferers from the recent earthquake disaster in Japan would not avail to diminish the resentment which would follow the enactment of such a measure, as this enactment would be regarded as an insult not to be palliated

by any act of charity. It is useless to argue whether or not such a feeling would be justified; it is quite sufficient to say that it would exist. It has already been manifested in the discussions in Japan with respect to the pendency of this measure, and no amount of argument can avail to remove it.

“The question is thus presented whether it is worth while thus to affront a friendly nation with whom we have established most cordial relations and what gain there would be from such action. Permit me to suggest that the legislation would seem to be quite unnecessary even for the purpose for which it is devised. It is to be noted that if the provision of subdivision (b) of Section 12 were eliminated, and the quota provided in Section 10 of the proposed measure were to be applied to Japan, there would be a total of only 246 Japanese immigrants entitled to enter under the quota as thus determined. That is to say, this would be the number equal to 2 per cent of the number of residents in the United States as determined by the census of 1890, plus 200.”

Several of the most important paragraphs in the Japanese Protest of May 31, 1924, are very essential to this consideration of the subject. “The Immigration Act of 1924, considered in the light of the Supreme Court’s interpretation of the naturalization laws, clearly establishes the rule that the admissibility of aliens to the United States rests not upon individual merits or qualifications, but upon the division of race to which applicants

belong. In particular, it appears that such racial distinction in the Act is directed essentially against Japanese, since persons of other Asiatic races are excluded under separate enactments of prior dates, as is pointed out in the published letter of the Secretary of State, of February 8, 1924, to the Chairman of the Committee on Immigration and Naturalization in the House of Representatives. 'It is quite natural that Japan should see discrimination in an act which abolished the Gentlemen's Agreement and yet continued certain treaty stipulation relating to the prohibition of immigration from China'."

The Protest against the Immigration Act of 1924, which the Japanese felt "stigmatized them as unworthy and undesirable in the eyes of the American people," was not made alone by the Government. Demonstrations were held throughout Japan, and July 1, 1924, was recognized as "Humiliation Day."

It is only too apparent that the issue which has arisen is past settlement through further compromise. The question of immigration has not been entirely transferred from the field of international agreements to the legislative field of statutory control.

In view of this fact, we cannot support a policy of statutory control, and continue to treat China through agreements without jeopardizing this policy in its entirety. It is now suggested that the difficulty can be overcome by admitting Japanese immigrants under the quota system. If

we admit the Japanese under those conditions, then we will have to admit other Asiatic nationals on the same grounds. This would not, however, clear the way for the recognition of these immigrants as eligible to citizenship. To admit them under the Immigration Act of 1924 would be to recognize them as eligible to citizenship. The Act reads: "No alien ineligible to citizenship shall be admitted to the United States, etc." If an alien is admitted under the Act he must be eligible to citizenship.

The admission of the Japanese immigrants to this country under the quota provision of the law would involve our recognition under the Act of their nationals as eligible for citizenship. This would call for a complete reinterpretation of our naturalization laws by the Supreme Court. Under our naturalization laws only "free white persons," persons belonging to the Caucasian race, are eligible for citizenship.

Unless we as a nation can change our position on the question of our ability to assimilate a certain number of Asiatic people, the admission of some Asiatics under the quota law and the exclusion of others under this same law, will only tend to aggravate a situation which is past further compromise. Whatever move we make now if we fail to consider the fundamental question, ill will between Japan and the United States is bound to grow.

There is a very real reason, therefore, for reviewing the entire question of the assimilation of

Asiatics, in the light of the closer relationship between nations that has resulted during the past century. This relationship has become so close that today the nations of the world constitute an inter-related organism. Each nation performs its particular function as determined by the nature of its people, the extent of its natural resources and its geographical position.

Before entering upon this task of qualifying the belief that a limited number of Asiatics are assimilable and most necessary to the future well-being of this nation, I would like to consider the reasons which prompted the change of policy in this country from that of international agreements to a control of immigration by legislation.

Our net immigration before the World War was running close to 700,000 a year. Within the century, 36,000,000 foreigners had come to these shores. With every indication that there would be a large increase in the number of immigrants seeking admission after the War, it was found necessary to establish a new ruling for their limitation.

Our inability to assimilate the number of foreigners that were coming in previous to the War, was brought home to us by the discovery that out of 14,000,000 people of foreign birth, only about half were naturalized. These figures were the more impressive when we further realized that the character of immigration to this country had been changing. Before 1880 the countries of northern and western Europe sent the largest contingencies.

Since 1900 the countries of southern and eastern Europe have constituted close to 70 per cent of the total.

This change in the character of the immigration was not entirely due to the change in the source of the streams. While it is true that the army intelligence tests revealed a higher average of intelligence among the northern and western European immigrants, it is also true that the average of intelligence all along the line was declining. A study of the immigration question from the angle of occupations by the United States Bureau of Immigration, illustrates this tendency. Between 1910 and 1914 the percentage of immigrants coming to this country without skill in any trade or occupation averaged about 26 per cent. In 1921-1922 over 42 per cent of the immigrants had no trade or occupation.

It was this great tide of unskilled labor coming to these shores in larger numbers which attracted our attention to another phase of the same question. The leading biologists of the country were pointing out with new emphasis that the steady increase in the size of the immigrant families settling in America was being paralleled by a similar decrease in the size of the native born family. The time had come for us to realize that our native stock was in danger of extermination.

The change in policy from international agreements to statutory control of immigration came about, not because of a belief that certain peoples were unassimilable, but on account of the sev-

eral causes cited above. This change in policy was expressed through the Per Centum Limit Act passed in 1921, to remain effective until June, 1922. Under the quota ruling the number of aliens of any nationality who could be admitted in any fiscal year was limited to 3 per cent of the number of foreign born persons of such nationality resident in the United States as shown by the census of 1910. Under this ruling the number of immigrants coming to the United States was immediately reduced. Whereas 700,000 were coming in before the War, the net immigration in 1922 was only 110,844. By a joint resolution of Congress, May 11, 1922, the act was extended to June 30, 1924.

The quota basis of restriction in the Immigration Act of 1924 seeks to provide against an undue influx of immigrants from southern and eastern Europe. This is to be accomplished through the use of the census of 1890 in place of the census of 1910. The census of 1890 is believed to account more truly for the stream of immigration that was composed largely of northern and western European types previous to 1880. The Act, however, provides for the abolition of the 1890 basis for restriction in 1927, and the substitution of the year 1920.

This shifting of the basis of restriction from one year to another is the open door to racial discrimination. It is an uncertain basis because it judges each nation according to the number of immigrants that have come here in the past. It fails

to account for any progress in standards that may set one nation off from another. If this issue is to be taken out of the field of uncertainty, and principle is to be used in its solution, we will have to discover a basis of restriction that will account for the existing status of a nation. As this status changes, the rise or fall in standards will be accounted for in the quota of admission. This new measure of national sovereignty is considered in the latter part of this chapter.

Having accounted for some of the principal factors which determined the change in policy in this country from that of international agreements to legislative control of immigration, we are free to consider the reasons which justify the belief that a limited number of Asiatics are assimilable and most necessary to the future well-being of the United States.

This task will seem simpler if the conclusions are explained in the beginning. My purpose is to prove that there are certain fundamental principles underlying American institutions that cannot be preserved without Asiatic assistance. Because these principles are inherent in the nature of Asiatic peoples, the nations of the East have a direct interest in their preservation by the nations of the West. Under the pressure of this general need there is every reason for believing that the United States will recognize the advantage of admitting a limited number of Asiatics to citizenship; and the nations of the East will recognize the advantage of relating their rate of population growth to the re-

sources available for support, through the proper control of economic laws.

If Japan has a problem in providing for her surplus population, the United States has a problem in the preservation of her native stock. What would Japan say if her native stock were in the process of extermination? There is little doubt that she would make every effort to provide against such a calamity. What would the United States do if she had a growing surplus population which endangered her own standards of living; and yet for which there was little room because the sparsely settled countries were largely under the control of Asiatics? She would, I believe, seek an agreement with the Asiatic nations whereby a limited number of her surplus population might secure admission to these sparsely settled countries. And she would agree that each Asiatic nation was justified in limiting the number of citizens admitted to an extent which would insure the preservation of the native stock. If, under these changed conditions, the Asiatic nations were disposed to relate their rate of population growth to the resources necessary to their support, then the United States would feel in duty bound to account for her own natural resources by bringing into play economic forces that would restrict the rate of her population growth to the resources available for their support.

The tremendous influx of immigrants into this country before the War was accompanied by a corresponding decrease in the size of the families

of old American stock. This is very clearly brought out by Mr. Frederick S. Crum in his studies of 12,722 New England families of the old American stock.

1750-1799	Children per family . .	6.43
1800-1849	Children per family . .	4.94
1850-1869	Children per family . .	3.47
1870-1879	Children per family . .	2.77

In explaining this decline of the older families in many parts of the world, Edwin Grant Conklin, in his book *Heredity and Environment*, says: "In Massachusetts the birth rate of the foreign born is twice that of the native population, while the death rate is about the same for both." Cattell, he says, from a statistical study of the families of 917 American men of science, discovered that the average size of the family of the parents of these men was 4.66 children, whereas the average size of the family of these men was 2.22 children.

The saturation point of population for the United States is estimated to be about 200,000,000. The estimates are based upon the food requirements of the individual. The acreage required to provide this food is conservatively judged to be 2.5 acres per individual.

According to the census of the United States the population of the country increased 1,923,000 between the years 1800-1810; 8,251,000 between the years 1850-1860, and 13,739,999 between the years 1910-1920. One of the well-known biologists in

this country, Mr. Raymond Pearl, estimates a population increase from 110,000,000 to 197,000,000 by the year 2100.

In view of the above facts, the United States is confronted with the problem of establishing a rate of population increase that will insure the preservation of the native stock; a rate of increase that will keep us well within the saturation point of population. We have a problem, therefore, in common with the nations of the world that are already overpopulated. Those nations that are overpopulated are confronted with the problem of establishing a rate of population growth that will eventually bring them within the saturation limit prescribed by natural resources.

The population limit has been exceeded in Belgium, Greece, Austria-Hungary, France, Sweden, Holland, Germany and England. Russia is the only country in Europe capable of sustaining more people. In the East, Japan, China and India are overpopulated.

In view of the fact that the population increase in Canada, Mexico, South America and Australia suggests that those countries will reach the saturation point within possibly the next century, would it not be well to consider how the increase in world population, estimated by Edward M. East to be 12 millions, by Knibbs to be 20 millions a year, is to be provided for? The only sparsely settled countries in a real sense are Africa and parts of Central and South America. These coun-

tries are largely under the control of the white race.

What is Asia going to do with her surplus millions from year to year? During the past century the population of India trebled, increasing from 100,000,000 to 300,000,000. Within 65 years, between 1850 and 1915, the population of Japan increased from about 26,000,000 to over 55,000,000. This unusual growth in population was not confined, however, to Asia. During the nineteenth century the population of Europe increased from 180,000,000 in 1800 (Levasseur), to 465,000,000 in 1916 (East). During the same century the population of the world increased from 650,000,000 to about 1,700,000.

We can more fully appreciate the density of population of some of these countries by comparison. In 1920 Japan counted a population of 393 to the square mile, France 195, Germany 332, the United Kingdom 386, and the United States 35.

If the present rate of population increase throughout the world is maintained, regardless of the limited area of sparsely settled country remaining, the fall of civilization will only be a question of years. The growing pressure of populations will compel the subjection of weaker peoples. We have here a world problem, a world issue which can alone be met through the interest of each nation in relating its rate of population growth to the resources available for their support.

This world issue, reduced to its simplest terms, is a problem of general conservation. If the great

body of mankind through the respective governments is willing to account for production costs, is willing to provide against soil depletion, the interest involved in the solution of this question will insure a rate of population increase in keeping with the natural resources.

Japan and the United States face a condition which necessitates agreement if the best in both nations is to be preserved. They have a common interest in the balanced development of their natural resources. A balanced development of their natural resources will insure the conservation of soil fertility. A disregard of soil fertility will lead to the production of cheap food at home or abroad, and this cheap food will unduly stimulate population growth.

The use of farm machinery in Russia, North and South America, Australia, Asia, Egypt and Africa during the nineteenth century led to a tremendous increase in the production of cheap food. As a result, the population of the world doubled within a single century.

Because cheap food is the primary stimulus to overpopulation, the removal of the cause for cheap food is necessarily the key to the regulation of population increase. As explained in earlier chapters, tools and transportation systems have encouraged shallow cultivation, and the production of cheap food. If the great manufacturing nations of the world, where the industry is securely established, fail to limit their industrial expansion, and disregard the right of other nations suited by tem-

perament, geographical position and access to raw materials, to develop the industry, then the population of the world will continue to increase regardless of natural resources. The great manufacturing nations, by encouraging the waste of soil fertility at home, will encourage the waste of soil fertility abroad.

If the great manufacturing nations of western Europe continue to suppress agriculture at home by giving more and more subsidy aid to industry in combination with tariff aid, we in the United States will be compelled to do likewise. We will be forced to suppress competition at home, forced to mobilize the wealth of the nation through direct taxation, and use that power in combination with a preferential tariff, that we may act as a unit against our foreign rivals. It would mean the sacrifice of our independence, the sacrifice of agriculture as a basic industry, to this struggle for the control of the world markets for our manufactured goods.

A balanced development of the manufacturing industry by the great manufacturing nations is essential to the conservation of their own soil fertility. Western Europe is beginning to realize the dangers attendant upon the decline of agriculture as a home industry. They see the cost of foodstuffs steadily mounting, because the pressure of population in foreign countries is cutting down the surplus of cheap food for export. In view of the increase in the price of bread in France from 4 cents a pound in 1913 to the present price of 12

cents a pound, and beef from 17 to 70 cents, the French Ministers of Agriculture are encouraging their countrymen to grow more wheat and animals.

Thomas Malthus, the English clergyman writing in 1789, warned us against the inherent tendency in the human race to overpopulate the world. He contended that population increased faster than the food supply. He pointed out the controlling influence of wars, famines and pestilences on population growth. With these positive checks to population removed, Malthus believed that education would lead people to realize the advantage of smaller families and larger incomes. Malthus lived before the days of large scale production through machinery. He could not see how tools and transportation would influence the production of cheap food, and how this cheap food would give an unparalleled stimulus to population growth. Nor could he see how industry would one day become one of the greatest educational forces in the world.

The manufacturing industry has led to a world-wide interest on the part of nations in their natural resources. Rather than see foreigners monopolize those natural resources, the nations of the world are taking a new interest in their development. If the great manufacturing nations of the world stimulate an interest in conservation through maintaining the soil fertility within their own borders, they will stimulate an international interest in conservation. Those nations that are introducing the new industry will be encouraged

to develop it more slowly and with a larger appreciation of the need for preserving their soil fertility. Cheap food will be discouraged and population growth will be brought under control through the working out of this economic law of balance.

The increasing pressure of overpopulation is a demoralizing influence because it compels the results of production to be divided among too many individuals. Under this pressure the standards of a nation are bound to fall; its ability to conserve, to produce more than it consumes grows less.

Unlimited competition is foreign to the beliefs of this country. The United States has never favored giving direct assistance to our industries as a whole. We have used the tariff as a source of revenue, as a means of protecting infant industries from foreign competition; as a means of keeping a balance between the three great industries of the country, agriculture, commerce and manufacturing. Outstanding figures in American history, men like Daniel Webster, Thomas Jefferson, etc., repeatedly voiced their belief that the independence of this country rested upon our ability to maintain an equilibrium between these three principle industries.

Because the Constitutional limitations upon the power of direct taxation have been lifted, we in the United States must decide upon a new basis of Constitutional control which will safeguard the individual and the State against Federal encroachment. Failing in the establishment of this balance

wheel to numbers, the powers of direct taxation without doubt will be used to mobilize the wealth of the nation in carrying on the present international struggle for monopoly control of the world markets for manufactured goods. The subordinate position of the Upper Chambers in European Governments explains the unlimited powers of taxation which are being used in combination with a preferential tariff to win control of colonies, markets, raw materials and spheres of influence. If the struggle is continued, and the United States is drawn into it, the opportunity of further interesting Asia in the conservation of natural resources and human life will be lost. The bitterness of the struggle will prevent any thought being given to conservation; and without conservation there is no hope of relating the rate of population increase to the resources available for support.

Japan is a pioneer in the large development of the manufacturing industry in her part of the world. When Japan opened her doors to world trade about the middle of the nineteenth century, the population assumed a dynamic character, and within 65 years more than doubled. Between 1850 and 1915 the population increased from about 26,000,000 to over 55,000,000. The question of providing territory for a growing surplus population is one of the most serious problems confronting Japan today. The problem is the more serious because the sparsely inhabited areas of the world are controlled by the white man. The cause of this phenomenal increase in population is primarily due

to the production and importation of cheap food, and indirectly due to the introduction of the manufacturing industry. It is suggested by some of her statesmen that the industrialization of Japan will enable her to care for her surplus population.

There is no doubt that Japan is headed towards industrialization at the growing expense of agriculture. She is subsidizing industry as well as affording it tariff protection. The government affords direct assistance through special inducements to combinations, to banks and through monopoly of certain industries.

If the great manufacturing nations of the West persist in using the preferential tariff in combination with national wealth mobilized through direct taxation (income and excess profits taxes) to control that industry, Japan will be forced to disregard entirely the question of establishing a rate of population increase that will be in keeping with her natural resources.

A world-wide interest in conservation is out of the question unless the nations in which the manufacturing industry is securely established are willing to dispense with the tariff and depend in the future upon direct aid where required. Through stabilizing the manufacturing industry and prescribing definite limits to its development by any one nation, conservation can be made to pay for itself; we will be in a position to account for production costs.

It is very evident, I believe, that there are certain fundamental principles which require the sup-

port of Japan and America if the institutions of both countries are to survive. If it is true that there is this general need for reciprocity, then there is no reason for believing that the United States will not recognize the advantage of admitting a limited number of Asiatics to citizenship; there is no reason for believing that the nations of the East will not recognize the advantage of relating their rate of population growth to the resources available for support through the proper control of economic laws. This would of course be conditional upon the nations of the West removing the tariff at the same time, and depending upon direct taxation thereafter.

If Japan registers her willingness to support the principle of economic balance, it will entirely change the complexion of the immigration problem. It would be proof positive of Japan's purpose to grapple with her own population question, and by degrees establish a rate of increase that would be in keeping with her natural resources. Such a declaration of good faith would immediately invite reciprocity. Her willingness to work toward a definite rate of population growth would lead other nations to assist in alleviating her terribly congested condition by affording the surplus population an opportunity to emigrate. If, on the other hand, a shifting of surplus population were understood to be only a temporary alleviation; if it were understood that Japan would continue to increase her numbers regardless of resources, a basis of reciprocity would be wanting.

If Japan and the United States are to successfully lend their support to the world principle of economic balance, then there is every reason for a limited number of citizens of Japan transferring their allegiance to this country; and a limited number of Americans transferring their allegiance to Japan. If we are so necessary to each other in international affairs, a certain number of citizens must be mutually assimilable.

Having removed the grounds of prejudice which led us to believe that Asiatics were non-assimilable, we are free to consider a quota basis of restriction; also a means of distribution which will prevent the peoples of any one nation from congregating in one State.

The recognition of the interests which these two countries have in common invites a genial atmosphere and an assurance of fair treatment. There is no longer a feeling of discrimination which would lead the Japanese to congregate in one State. We can suggest without affront the admission of nations under a quota ruling which requires their distribution throughout the country according to the needs of the different localities and the special qualifications of the individual immigrant. In time it is to be hoped that employment bureaus, local, State and Federal, will be so organized as to make it possible for them to connect the man with the job before he comes to this country.

This recognition of our ability to assimilate a limited number of Asiatic immigrants will involve the extension of the boundaries of naturalization which

are today limited to "free white persons and to aliens of African nationality and to persons of African descent." We will not be called upon, under these new conditions, to exclude Japanese immigration on statutory grounds, and Chinese immigration under separate enactments of prior dates. Our Supreme Court will be in a position to place an entirely new construction on the naturalization laws. The admission of Japanese, Chinese and Indian immigrants under these new conditions will not be in opposition to the Immigration Act of 1924, which reads that "no alien ineligible to citizenship shall be admitted to the United States, etc." Chinese and other Asiatics are debarred from admission under the quota ruling today because they are ineligible to citizenship. This ineligibility must be removed before the Chinese or Japanese can be admitted under a quota ruling.

We know that the present basis of quota restriction is very uncertain, and affords unlimited opportunity for racial discrimination. It makes this question a football of contention. A basis of restriction which can be shifted from one year to another rests entirely upon the past actions of any and every country. The number of immigrants that have come to the United States in the past, due to a great variety of causes, are recognized in the quota measure as the measure of each nation's sovereignty. Anyone who stops to think will realize how unjust is this basis which fails to account for any progress in standards which distinguish one nation from another. If we would overcome this injustice, we will define a basis of restriction which accounts for the existing status of a nation. As this

status changes the rise or fall of standards will be reflected in the quota of admission.

The adequate representation of natural resources in government as a balance to numbers, will enable us to account for production costs; will enable us to determine whether we are wasting or conserving human life and natural resources. The representation of income or natural resources (because they are interchangeable factors) in government, in corporation control has been discussed at length in different chapters of this book.

Because all the capitalistic nations of the world are confronted with the issue of adequately representing their natural resources in government or accepting the rule of the people and the abolition of private property, there is every reason for believing that the League of Nations, in order to insure to each nation adequate representative protection in its legislative assemblies, will account for this principle of balance between income and numbers. This representative protection is essential if the legislative and judicial branches of the League are to work in harmony, and inspire the confidence essential to the substitution of an international police force for the present international competition in armaments.

Believing that the time is close at hand when recognition will be given to this principle of balance in the composition of the League Legislature, it would seem most propitious for the United States to square her immigration policy with this outcome.

This would mean that instead of using the census of 1910, 1890 or 1920 as the basis of quota restriction,

as the measure of national sovereignty, we would use a dynamic basis for restriction. This basis would measure our changing relationship with the nations of the world. The number of representatives accredited to any nation in the Legislature of the League of Nations would determine the size of each nation's quota. As the standards of a nation changed and were reflected in the League Legislature, the quota would reflect the change. A nation would profit as its standards of living improved. Any nation, Asiatic or otherwise, represented in the League would be entitled to send its quota under the conditions enumerated.

The total number of immigrants admitted to the United States each year would depend upon a yearly survey of our conditions. After the employment bureaus throughout the country had made their report and the Federal Bureau was in a position to judge how many immigrants could be supplied with steady work, the total would be pro-rated between the nations according to the measure of their representation in the League.

Australia, Canada, etc., would undoubtedly find the application of this quota basis of restriction a great help in preserving the identity of their native stock. The number of immigrants admitted from year to year is primarily a matter of national concern. The apportionment of the quota would rest on a uniform principle recognized by all the members of the League; a principle which accounted for the changing status of each member nation.

In many of the overpopulated countries of today, countries such as India, China, etc., a great body of

the people live below the subsistence level. Income is known to but a few. When the knowledge comes home to these masses that a balanced development of agriculture and manufacturing is essential to conservation, essential to the production of income, essential to the protection of their natural resources, they will be interested through their respective governments in reaching an agreement with Western nations on the question of stabilizing the manufacturing industry.

The larger responsibility for initiating these moves would seem to rest with the United States. We are in a measure responsible for the cheap food and machinery which has given such a stimulus to population growth during the past century. We are in a position to see and appreciate as a country, certain facts which escape other nations. The very fact that we do not nationally sanction the use of direct aid in combination with the tariff, enables us to question the use of these government powers in combination. Nations long accustomed to the combined use of direct and indirect aid in export trade, are so merged in the struggle for the control of markets for manufactured goods that they can see no cessation of the struggle except to their own disadvantage.

This seems to be the time, destined by every circumstance, for the United States to voice her willingness to aid to the limit in laying a permanent basis upon which the nations of the world can carry on.



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